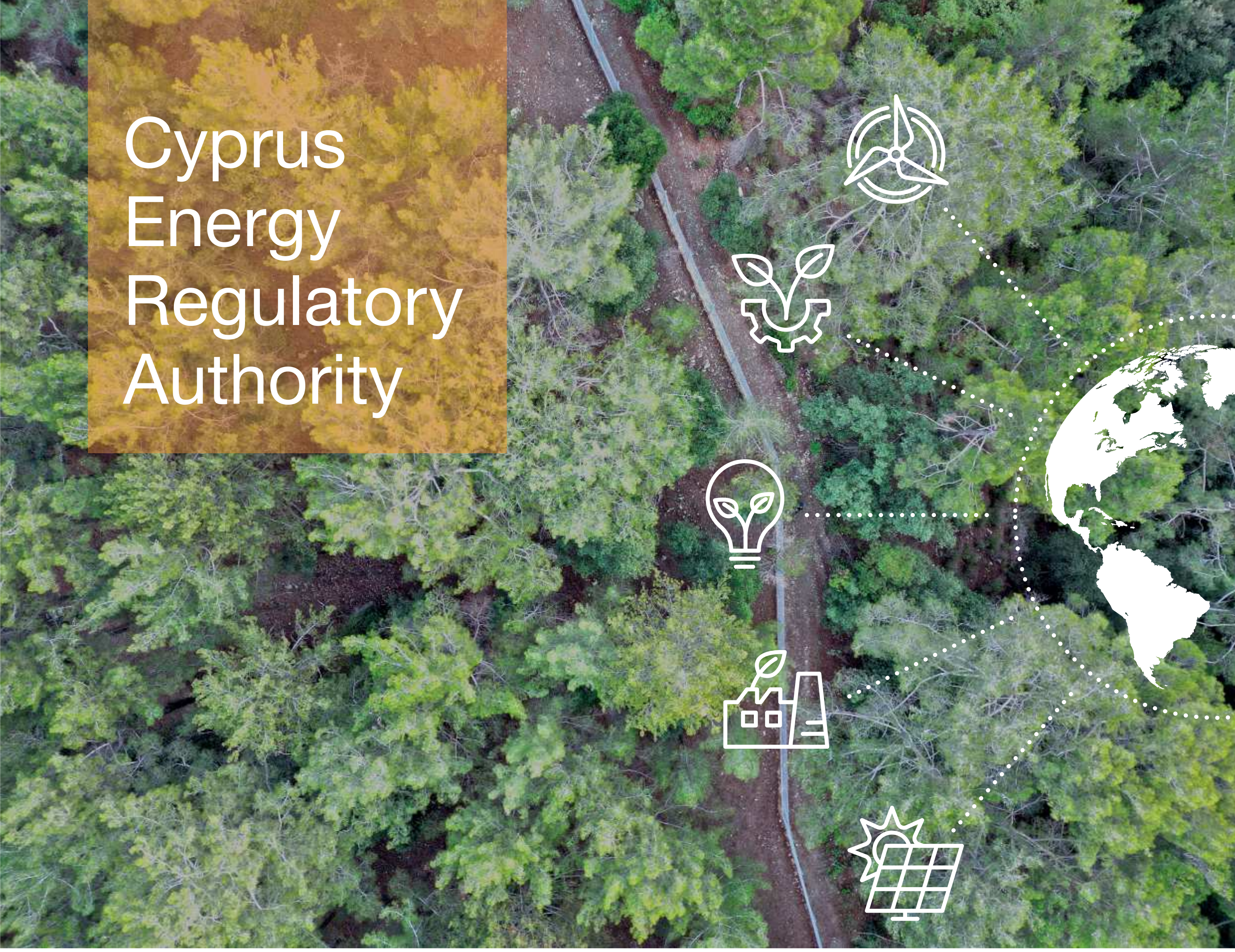

Cyprus Energy Regulatory Authority

Annual Report 2023

ρυθμιστική αρχή ενέργειας κύπρου
cyprus energy regulatory authority

ANNUAL REPORT OF THE CYPRUS ENERGY REGULATORY AUTHORITY 2023

The source of the cover photo is the Press and Information Office of the Republic of Cyprus.

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ABBREVIATIONS

EAC	Electricity Authority of Cyprus
RES	Renewable Energy Sources
RES-E	RES Electricity Generation Systems
CRA	Core Regulated Activity
DEFA	Natural Gas Public Company
LNG Facility Operator	Liquefied Natural Gas Facility Operator
TYNDP-Distribution	Ten-Year Distribution Network Development Plan
TYNDP-Transmission	Ten-Year Transmission System Development Plan
SSO	Storage System Operator
DSO	Distribution System Operator
TSOC	Cyprus Transmission System Operator
LNG System Operator	Liquefied Natural Gas System Operator
ENTSO	European Network of Transmission System Operators
EU	European Union
PMI	Project of Mutual Interest
PCI	Project of Common Interest
ETYFA	Natural Gas Infrastructure Company
EGP	Electricity Generation Plant
RIF	Research and Innovation Foundation
SS Owner	Storage System Owner
ODS	Owner of the Distribution System
OTS	Owner of Transmission System
LNG System Owner	Liquefied Natural Gas System Owner
TSR	Trading and Settlement Rules
DR	Distribution Rules
KDP	Regulatory Administrative Act
TR	Transmission Rules
TDR	Transmission and Distribution Rules
KODAP	Cyprus Organisation for Storage and Management of Oil Stocks
WACF	Weighted Average Cost of Fuel
CERA	Cyprus Energy Regulatory Authority
RAB	Regulated Asset Base
ETS	Emissions Trading Scheme
HECHP	High Efficiency Cogeneration of Heat and Power
PSO	Public Service Obligations
MECI	Ministry of Energy, Commerce and Industry
LNG	Liquified Natural Gas
VAT	Value Added Tax
ACER	Agency for the Cooperation of Energy Regulators
CEER	Council of European Energy Regulators
ECG	Electricity Coordination Group
HHI	Measure of market concentration – Herfindahl – Hirschman Index
MEDREG	Mediterranean Energy Regulators
SPV	Special Purpose Vehicle
TTF	Title Transfer Facility (TTF) - Gas trading market

INTRODUCTORY NOTE OF THE CHAIRMAN, VICE CHAIRMAN AND MEMBER OF CERA

The year 2023 was a reference year for energy transformation, leading to a global breakthrough in technological innovation, environmental management and economic development.

Renewable energy sources continue to evolve, with their extensibility signalling a fundamental shift towards a sustainable energy future. At the same time, hydrogen is emerging as a catalyst in the transition to a sustainable energy future, with an unprecedented boost to its uptake in various sectors, offering opportunities for decarbonisation, energy system flexibility and economic growth. Moreover, developments in energy storage, grid management and electrification are revolutionising the way energy is generated, distributed and consumed. The increasing popularity of electric vehicles, smart cities and decentralised energy systems heralds a new era of connectivity and resilience. Not only do these developments simply transform industries, but they also transform societies, strengthen communities and democratise access to energy as never before.

However, this wave of progress also comes with challenges and complexities. The need for energy security, reliability and affordability remains paramount, especially in the face of geopolitical uncertainties and global supply chain disruptions. Furthermore, responding to climate change urgently requires bold and decisive action, forcing us to speed up the transition to low-carbon energy solutions, while ensuring a fair and inclusive transition for all. Energy regulators around the globe, which are at the heart of energy transformation and play a leading role in the energy landscape, have been called upon to overcome unprecedented obstacles in taking advantage of opportunities.

In this context, the Cyprus Energy Regulatory Authority (CERA) was once again called upon to play a multifaceted role, overseeing various aspects of the energy sector, including market functions, infrastructure development and consumer protection. The increased use of renewables, distributed generation and consumer participation experienced by Cyprus in 2023 has brought about new complexities in grid management and market design. CERA responded by modernising the regulatory frameworks, adopting flexible approaches and strengthening cooperation between stakeholders with a view of adapting to a changing landscape.

In any case, the role of CERA remains paramount in navigating the complexity of the evolving energy landscape. In the face of challenges such as grid modernisation, electrification and energy transition, by drafting and enforcing regulatory and other decisions as well as regulations, CERA has made sure that energy markets run smoothly, thus boosting competition, investment and innovation.

Looking ahead to the future of the national energy landscape, Cyprus is ready to play a pivotal role in regional energy transition, utilising its resources, strategic location and commitment to sustainable development, in order to become a model of energy innovation and cooperation in the Mediterranean. In a spirit of cooperation and shared responsibility, our goal should be to make energy not just a commodity, but a catalyst for progress. By means of appropriate legislative and regulatory measures, Cyprus will be able to become an energy hub where every unit of energy generated or traded will be a step to a ‘cleaner’ future.

CERA would have been unable to carry out its work without its human resources, who are marked with high productivity and know-how. Therefore, it wishes to warmly thank them for their valuable contribution and the readiness they showed in addressing the challenges that came up throughout the year.

1 INTRODUCTION

The Cyprus Energy Regulatory Authority (CERA) was established by law in 2003 in accordance with European Union (EU) Directives.

CERA is an independent authority governed by public law and its main purpose is to regulate and monitor the internal electricity and natural gas markets. In addition, CERA aims to ensure a competitive, secure and environmentally sustainable energy market with its main concern being to protect the rights of the consumers.

At the same time, CERA is responsible for advising the Minister for Energy, Commerce and Industry on all issues related to the energy market.

Based on the Law on the Establishment and Operation of the Cyprus Energy Regulatory Authority of 2021 (Law 129(I)/2021), CERA is accountable for the performance of its duties, responsibilities and powers to the President of the Republic and, for this purpose, submits an annual activity report to the President of the Republic within six (6) months of the end of each calendar year. CERA submits a copy of every annual activity report to the Council of Ministers and to the House of Representatives and ensures that the public has easy access to that report.

This CERA's annual activity report covers the year 2023 and is the twentieth (20th) report to be issued.

In the year under review, CERA issued four (4) regulatory decisions:

- Regulatory Decision 01/2023 (KDP 22/2023) on the regulatory framework for granting a general licence (Amendment);
- Regulatory Decision 02/2023 (KDP 149/2023) on the statement of regulatory practice and the collective switching methodology;
- Regulatory Decision 03/2023 (KDP 295/2023) on the application of a transitory regulation in the Cyprus electricity market before the full implementation of the new electricity market model (Amendment); and
- Regulatory Decision 04/2023 (KDP 296/2023) setting out details concerning the provision of dynamic pricing contracts by suppliers.

At the same time, CERA issued a series of Decisions; the most important of these being:

- Decision 08/2023 – Fuel Clause Coefficients for the adjustment of the wholesale tariff (W-T) for the period January-June 2023
- Decision 22/2023 – Methodology for the adjustment of allowed revenue and tariffs of the regulated activities of ownership and operation of the interconnection line
- Decision 35/2023 – Examination of a violation of term 5(f) of LNG Facility Operator's Operating Licence for Liquefied Natural Gas Facility No NG 2 and of CERA Decision 266/2022
- Decision 37/2023 – Project of Common Interest No 3.10.2 Interconnection Between Kofinou (CY) and Korakia, Crete (EL)

- Decision 58/2023 – Rejection of Application No NG-4 of Hoegh LNG Ltd for granting a licence for the construction, ownership and operation of a natural gas facility

- Decision 76/2023 – Revision of Regulatory Decision 04/2017 on the application of a Transitory Regulation in the Cyprus Electricity Market before the full implementation of the new electricity market model

- Decision 77/2023 – Possibility of participation of energy storage facilities in the Transitory Regulation of the Electricity Market

- Decision 78/2023 – Possibility of electricity consumers to conclude more than one electricity supply contract in the context of the Transitory Regulation of the Electricity Market

- Decision 79/2023 – LNG Facility Operator's Operating Licence for Liquefied Natural Gas Facility No NG 2, Request for amendment from the licensee

- Decision 110/2023 – Laying down the licensing framework for conducting the activity of a Closed Distribution System Operator

- Decision 112/2023 – Methodology for calculating the adjustment of basic tariff fuels and the cost of preventing thermal generation costs in EAC Generation, and determination of the price of RES-E purchased by EAC-Supply regarding RES-E projects falling under grant and support schemes for RES energy

- Decision 123/2023 – Evaluation of the draft LNG Facility Owner-Operator agreement provided for in term 9(2) of the LNG Facility Operating Licence submitted to CERA for approval on 31 March 2023 by the LNG Facility Operator

- Decision 139/2023 – Approval of Ten-Year Distribution Network Development Plan 2023-2032

- Decision 149/2023 – Investigation of a violation of provisions of Regulatory Decision No 02/2018 (KDP 259/2018) on the application of a binding timetable for the mass installation and operation by the Distribution System Operator (DSO) of Advanced Metering Infrastructure

- Decision 150/2023 – Tariff for the recovery of the Public Service Obligations (PSO) expenditure

- Decision 154/2023 – Approval of Version 1.0.0 of the Transmission Rules

- Decision 165/2023 – Assessment of the revised proposal of connection projects of the first open procedure that was submitted for approval to CERA by the Natural Gas Transmission System Operator on 31 March 2023

- Decision 166/2023 – Guidelines to the Natural Gas Transmission System Operator regarding the charges imposed for connecting to the Natural Gas Transmission System

- Decision 173/2023 – Application by Euroasia Interconnector Ltd (HE 296435) for granting an Interconnection Line Owner Licence (No A1095)

- Decision 174/2023 – Application by EUTSO Ltd (HE 366961) for granting an Interconnection Line Operator Licence (No A1096)

- Decision 188/2023 – Investigation of a possible violation of the terms and conditions of the exemptions from the obligation to hold a licence and of the Regulations on the Transitory Regulation of the Electricity Market for licensees participating in the Transitory Regulation of the Electricity Market

- Decision 189/2023 – Parameters of the Regulations on the Transitory Regulation of the Electricity Market, Version 1.9 for calendar year 2023
- Decision 195/2023 – Approval of Ten-Year Distribution Network Development Plan 2023-2032
- Decision 196/2023 – Evaluation of the draft LNG Facility Owner-Operator agreement provided for in term 9(2) of the LNG Facility Operating Licence submitted to CERA for approval on 19 May 2023 by the LNG Facility Operator
- Decision 198/2023 – Request from the Transmission System Operator to extend the deadline for the submission of the revised proposal for connection projects in the context of the first open procedure
- Decision 207/2023 – Fuel clause factors for the adjustment of the wholesale tariff (W-T) for the period July-December 2023
- Decision 239/2023 – Changes to the Regulations on the Transitory Regulation of the Electricity Market, Version 1.10
- Decision 240/2023 – Update of the Cross-Border Cost Allocation Agreement for Project of Common Interest No 3.10.2 Interconnection between Kofinou (CY) and Korakia, Crete (EL)
- Decision 246/2023 – Submission of LNG Facility Operating Code by a holder of an LNG Facility Operating Licence
- Decision 248/2023 – Investigation of a violation of term 12(1) of OTS/TSO’s Licence for Construction, Ownership, Exploitation and Operation of the Natural Gas Transmission System No NG 1
- Decision 249/2023 – Investigation of a possible violation of the terms and conditions of EAC Supply Licence No Π1-Law 419(A)/ΠΘ1-2006 regarding overpriced bills based on estimated electricity consumption
- Decision 283/2023 – Application by the Natural Gas Public Company (DEFA) for granting a licence to supply non-eligible customers
- Decision 293/2023 – Procedure for submitting and examining an objection on the basis of Article 7(2)(f) of Law 183(I)/2004.
- Decision 298/2023 – Separate EAC Accounts for 2022
- Decision 304/2023 – Approval of Version 1.0.0 of the Distribution Rules
- Decision 312/2023 – Approval of an amended version of the Ten-Year Transmission System Development Plan 2023-2032
- Decisions 317/2023 – Allowed revenue and regulated electricity tariffs for 2023
- Decisions 318/2023 - TSOC allowed revenue and regulated tariff for 2023

- Decision 331/2023 – Examination of a violation of term 12(1) of OTS/TSO's Licence for Construction, Ownership, Exploitation and Operation of Transmission System No NG 1
- Decision 365/2023 – Project of Common Interest No 3.10.2 Interconnection Between Kofinou (CY) and Korakia, Crete (EL)
- Decision 379/2023 – Decision on the cross-border cost allocation of Project of Common Interest No 7.3.1 Pipeline from the East Mediterranean Gas Reserves to Greece Mainland via Cyprus and Crete (Currently Known as "EastMed Pipeline"), with Metering and Regulating Station at Megalopoli
- Decision 403/2023 – Approval of EAC Activity Performance Levels for 2022, on the basis of audited separate accounts of 2022
- Decision 415/2023 – Evaluation of the LNG Facility Operating Code submitted by the holder of the LNG Facility Operating Licence.
- Decision 429/2023 – Tariff for the recovery of the Public Service Obligations (PSO) expenditure
- Decision 431/2023 – Approval of parameters of the Regulations on the Transitory Regulation of the Electricity Market proposed by the Distribution System Operator (DSO), Version 1.10 for calendar year 2024
- Decision 433/2023 – Changes to the Regulations on the Transitory Regulation of the Electricity Market, Version 1.11
- Decision 434/2023 – Parameters of electricity market rules defined by CERA; Determination of a minimum percentage for purchasing energy from the Day-Ahead Market in connection with EAC's Core Regulated Activity (CRA) of Supply ([Zp]%)
- Decision 446/2023 – Completion of the investigation of a possible violation of the terms and conditions of Licence No Law 419(A)/TSO1-2004 regarding the operation and reliability of a ring of underground high voltage cables in the urban area of Nicosia, pursuant to the provisions of Article 12 of the Laws Regulating the Electricity Market
- Decision 456/2023 – Approval of security coverage parameters of the Regulations on the Transitory Regulation of the Electricity Market, Version 1.11 for calendar year 2024.

Electricity - Responsibilities and powers of CERA

- Ensures substantial competition in the Electricity Market, avoiding adverse discrimination and ultimately aiming at price reductions.
- Protects the interests of the consumers.
- Promotes the development of an economically viable and efficient electricity market.
- Ensures adequacy in electricity supply for the satisfaction of all reasonable needs and demands for electricity.
- Safeguards the continuity, quality, reliability and security of electricity supply.
- Encourages the efficient use and generation of electricity.
- Issues, controls, enforces, amends, and revokes licences or grants exemptions from licences.
- It is a single point of contact for informing consumers.
- Sets the rules or the procedures under which complaints are examined which relate to services offered by the licensees, including, where appropriate, the carrying out of investigations and decision-making for such complaints.
- Carries out investigations either following the submission of a complaint or initiated by CERA ex officio.
- Ensures that licensees operate efficiently and are in a position to finance the business activities for which the licence has been issued.
- Determines, publishes and imposes quality standards with which licensees have to comply.
- Regulates tariffs, charges and other terms and conditions to be applied by licensees for any services provided pursuant to the terms of their licences.
- Promotes the development of regional markets within the Community so that they can operate competitively and properly in order to achieve security of supply.
- Promotes the elimination of electricity trade restrictions among Member States, including the development of appropriate cross-border transmission capacities to meet demand and to enhance the integration of national markets.
- Ensures that the Regulations governing the operation of electricity networks and the electricity market (Transmission and Distribution Rules and Trading and Settlement Rules) are prepared and approved in accordance with the Law.
- Imposes administrative fines in the event of violation of laws or regulations.
- Ensures the implementation of the provisions of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25th October 2011 on wholesale energy market integrity and transparency.

- It is the competent authority responsible for the performance of the tasks provided for in Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC.
- Promotes Renewable Energy Sources (RES).
- Promotes research and development in the energy sector.
- Prepares and implements long-term planning regarding capacity for generation, transmission and distribution on a long-term basis, in order to meet the demand for electricity in the system and to secure supplies to customers which include security of supply, energy efficiency/demand-side management and achievement of environmental objectives and targets for energy from renewable sources.

Natural Gas – Responsibilities and powers of CERA

- Promotes the development of an economically robust and efficient natural gas market.
- Ensures the safety, continuity of supply, quality and efficiency in the supply of natural gas.
- Monitors security of supply issues, and especially the balance of market supply/demand, the level of the expected future demand and the availability of supply, as well as the level of competition in the market.
- As the competent authority, it ensures the implementation of the measures safeguarding security of gas supply. Announces the measures that may be put into effect in case of an unforeseeable crisis in the energy market, or when the security of people, works, facilities or the integrity of the networks are threatened.
- Ensures and prepares the Technical Rules determining the minimum standards of technical design and operation for the connection to the network of Liquefied Natural Gas (LNG) facilities, storage facilities, other transmission or distribution networks and direct natural gas pipes.
- Takes appropriate and effective measures for control and transparency to avoid possible misuse of dominant position, especially to the detriment of consumers.
- Protects the interests of end consumers.
- Promotes the development of regional markets within the EU so that they can operate competitively and properly to achieve security of supply.
- Promotes the elimination of natural gas trade restrictions among Member States, including the development of appropriate cross-border transmission capacities to meet demand and enhance the integration of national markets.
- Resolves disputes on access to in-front-of pipeline networks, in connection with negotiations for access to the network.
- It is a single point of contact for informing consumers.

- Carries out investigations either following the submission of a complaint or initiated by CERA ex officio.

- Imposes administrative fines in the event of violation of laws or regulations.

- Sets the rules for the operation and distribution of the interconnection capacity, in consultation with the appropriate authorities of interconnected Member States.

- Prepares and implements long-term planning regarding the planning of supply and transmission capacity of natural gas undertakings over the long term so as to satisfy the demand of the system for natural gas, achieve the diversification of sources, and ensure supply to the customers. Long-term planning includes the security of supply, energy efficiency/demand-side management and the achievement of energy-related environmental goals and targets from renewable sources.

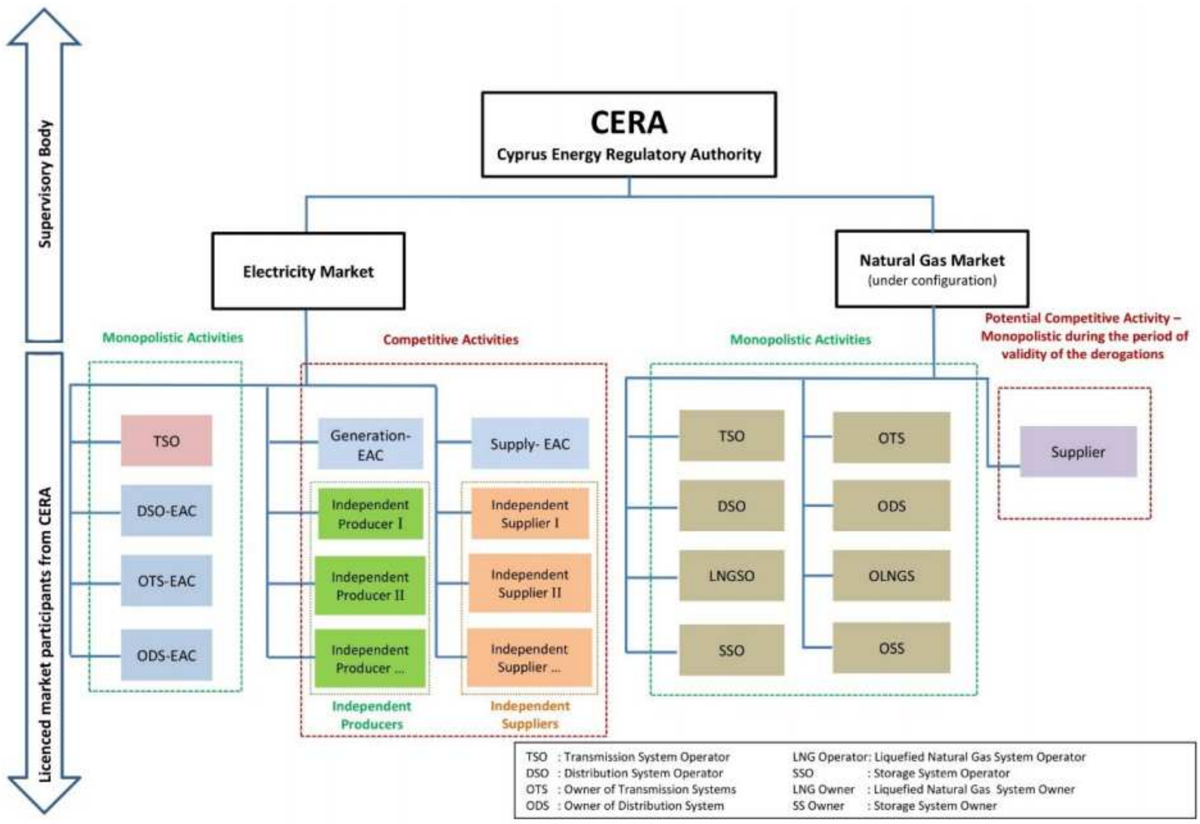
In addition to the above specific responsibilities and powers, during the execution of its duties and the exercise of its responsibilities and powers, CERA shall:

- Take decisions in accordance with the provisions of the Law and the Regulations issued thereunder.

- Take regulatory decisions to determine how it will regulate the electricity market, and which licensees will be bound by such a regulatory decision.

- Issue Regulations based on the Law.

Regulation of Electricity and Natural Gas Markets



TSOC	Cyprus Transmission System Operator
DSO	Distribution System Operator
LNG Operator	Liquefied Natural Gas System Operator
SSO	Storage System Operator
OTS	Owner of Transmission System
ODS	Owner of the Distribution System
LNG Owner	**Liquefied Natural Gas System Owner**
SS Owner	Storage System Owner

Figure 1 *- Supervision and Licensing of electricity and gas market activities Administrative Organisation*

Administrative Organisation

CERA MEMBERS

CHAIRMAN
Dr Andreas Poullikkas, Mechanical Engineer

VICE-CHAIRMAN
Philippos (Alkis) Philippou, Business Management

MEMBER
Neophytos (Akis) Hadjigeorgiou, Electrical Engineer

CONSULTANTS

LEGAL CONSULTANTS
Consortium
Orphanides, Christofides & Co LLC,
Stelios Americanos & Co LLC

ACCOUNTANTS
Alliot Partellas Kiliaris Limited

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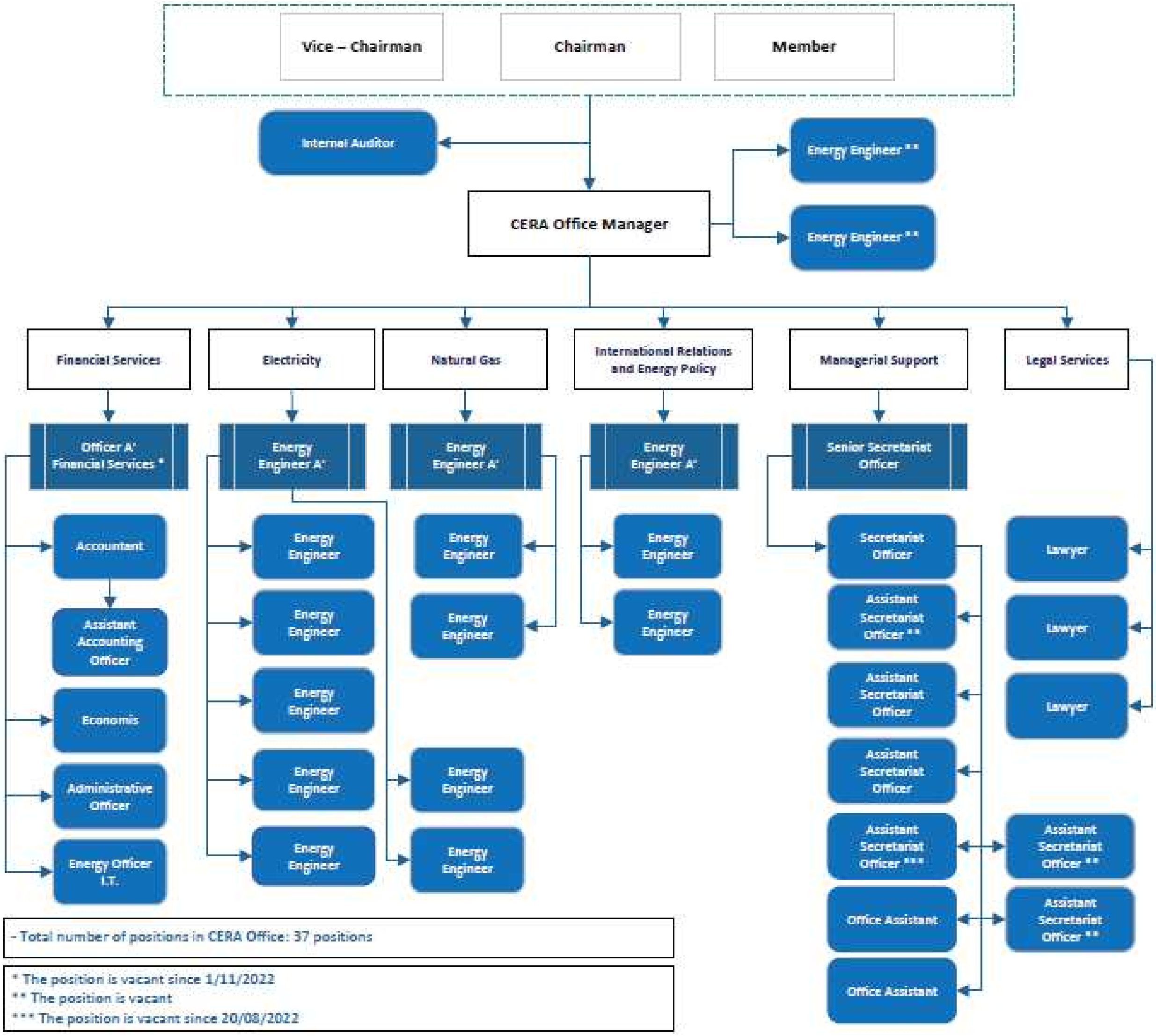
Organisational Chart



CERA Office

The CERA Office had 29 staff members at the start of 2023 and 30 by the end of the year. On 1 February 2023, CERA filled one (1) permanent position for an Economist, who is responsible, among other things, for monitoring the Regulated Tariffs.

Upon approval of the 2023 CERA budget and after obtaining all other relevant approvals, CERA proceeded to upgrade the level of the CERA Office Director position from level A13(ii) to level A15(i), to upgrade the level of Energy Engineer A' positions from level A12(ii) to level A13(ii) and to upgrade the level of the two (2) Office Assistant positions from level A1-A2-A5(ii) to level A2-A5-A7(ii) at a personal level.

There are two (2) approved Energy Engineer positions and three (3) Assistant Secretary positions in the 2023 CERA budget. After the no-hire policy ended for those positions and a call was issued for filling them on 22 September 2023, CERA is in the process of filling them.

On 1 December 2023, CERA proceeded to fill the permanent position for the promotion of a secretary, after the no-hire policy had ended and all the relevant procedures for filling the position had been carried out.

In September 2023, CERA proceeded to amend eight (8) Service Plans of the CERA Office, which are now pending approval.

To streamline the functioning of the Office, in 2023 CERA proceeded to the record a number of its procedures in relevant circulars, and to automate some of them.

By its Decision 450/2023 of 19 December 2023, CERA's Top Management decided that the Authority would set up a fully digital work environment and carry out a study with a view to streamlining the organisational structure of its Office.

In order to fulfil its legal duties and responsibilities as an independent authority, in accordance with its obligations under national and EU law in connection with the supervision of the electricity and natural gas markets and the protection of consumers, CERA will include new positions in its respective budgets.

Up until the no-hire policy ends and the vacancies requested in the respective budgets are approved and filled, CERA will move forward, where necessary, by outsourcing advisory services for the purpose of carrying out its duties, in accordance with the relevant legislation and with a view to protecting consumers.

CERA Internal Audit Unit

The purpose of the Internal Audit Unit is to provide CERA Members with an independent, objective assessment of internal management and control systems, risk management and governance procedures, thus essentially and effectively contributing towards achieving the goals set out by CERA.

The objectives of the Internal Audit Unit are:

- To independently and objectively assess CERA's conformity with the laws, regulations, rules, circulars and decisions.
- To make sure that CERA's financial resources are effectively used and managed.
- To safeguard and protect the Authority's assets.

- To verify the efficient and effective functioning of activities, with a view to improving them in the future.

- To verify the adequacy and effectiveness of procedures, safeguards, internal control systems, strategies and high-risk area management.

- The ensure the overall achievement of CERA's strategic goals.

The Internal Audit Unit consists of the Internal Auditor. The Auditor is accountable in terms of operation to the CERA Members, and in terms of administration to the Director of the CERA Office.

The Internal Audit Unit carries out audits on the basis of the approved Annual Audit Plan and monitors the auditees' degree of compliance in respect of addressing the audit findings. The Unit provides feedback and suggestions on new procedures, policies, operating regulations and directives. It also reviews and assesses the adequacy and effectiveness of corporate governance, risk management and internal control systems.

Training

Figure 2 shows the training of the CERA Office staff by field of activity in 2023

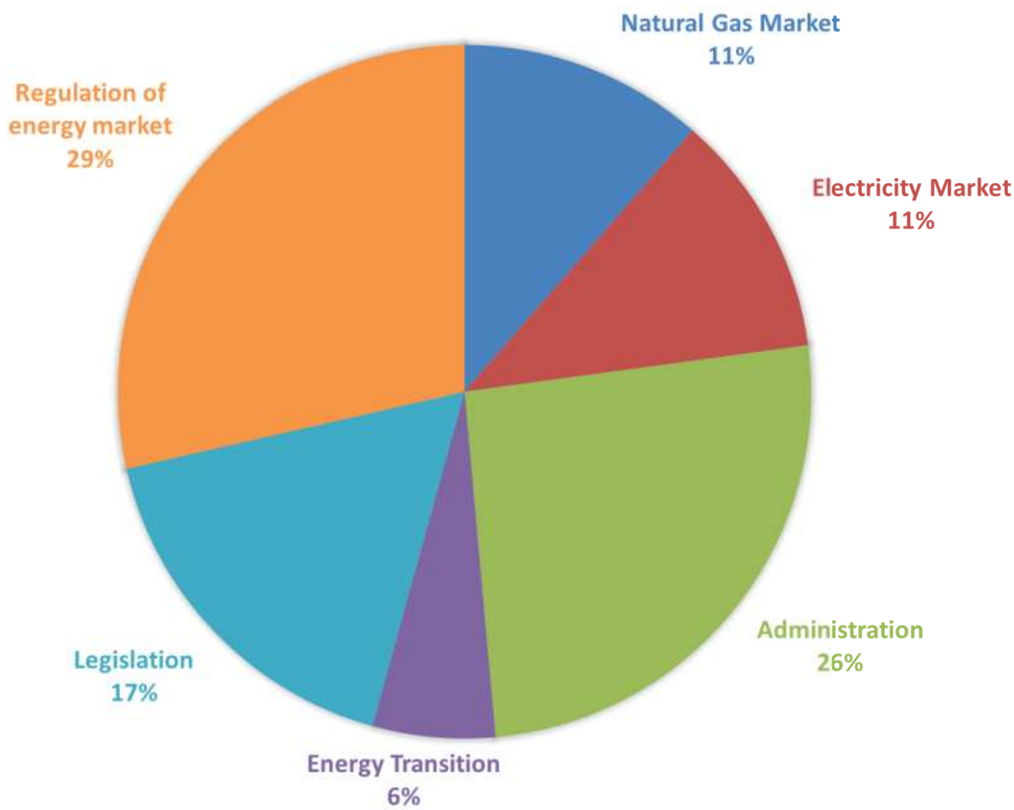


Figure 2 *- Staff training in 2023*

2 Legislative regulations and CERA decisions

National legislative regulations

The following section presents the laws and regulations that were amended, CERA's most important regulatory and other decisions, and the developments regarding the Trading and Settlement Rules, as well as the Transmission and Distribution Rules.

Laws and regulations

Law Regulating the Electricity Market (Amending) of 2023 (Law 44(I)/2022)

Law 44(I)/2023 amended the Laws Regulating the Electricity Market, by adding provisions regarding the rights and obligations of the Electricity Authority of Cyprus' (EAC) staff members who choose to continue their service with the Cyprus Transmission System Operator (TSOC) and become members of its staff.

Regulatory Decisions and important CERA Decisions in 2023

In 2023, CERA took Regulatory Decisions and other Decisions of which the most important are listed below:

REGULATORY DECISIONS

Regulatory Decision 01/2023 (KDP 22/2023) on the regulatory framework for granting a general licence (Amendment)

By Regulatory Decision 01/2023 (KDP 55/2023), CERA decided to include in the activities for which a general licence is granted pursuant to Article 27 of the Laws Regulating the Electricity Market of 2021 to 2023 the generation of electricity by photovoltaic systems with a capacity of more than 50kW on the shell of an existing building, also drawing up the application form and setting the relevant fees. It also decided to delete the phrase "up to 50kW" right after the phrase "Small-scale high efficiency electricity and heat cogeneration unit".

Regulatory Decision 01/2023 was published in the Official Government Gazette of the Republic of Cyprus on 3 February 2023.

Regulatory Decision 02/2023 (KDP 149/2023) on the statement of regulatory practice and the collective switching methodology

By Regulatory Decision 02/2023 (KDP 149/2023), CERA decided on the overall collective switching framework in the context of applying Article 119(3)(a) of the Laws Regulating the Electricity Market of 2021 to 2023, which provides that household customers are entitled to participate in collective switching schemes, as well as Article 119(3)(b), which provides that CERA shall adopt a regulatory decision setting out the framework for suppliers to allow for collective switching, removing any regulatory or administrative obstacles to collective switching and ensuring the utmost consumer protection to avoid any abusive practices.

Regulatory Decision 02/2023 was published in the Official Government Gazette of the Republic of Cyprus on 19 May 2023.

Regulatory Decision 03/2023 (KDP 295/2023) on the application of a Transitory Regulation in the Cyprus electricity market before the full implementation of the new electricity market model (Amendment)

By Regulatory Decision 03/2023 (KDP 295/2023), CERA decided to amend Regulatory Decision 04/2017 (KDP 223/2017) on the application of a Transitory Regulation in the Cyprus electricity market before the full implementation of the new electricity market model, in the context of removing the original provision which required suppliers to represent final customers subject to a monthly billing scheme with programmable STOD (Seasonal Time Of Day) meters and allowing suppliers to represent any customers regardless of the type of meter used. This provision was decided to enter into force on 1 April 2024. An amendment was also made by removing the relevant provision which required that RES-E producers who were interested in joining the Transitory Regulation in the Cyprus Electricity Market to join to the support scheme of the Ministry of Energy, Commerce and Industry (MECI), thus allowing now all RES-E producers to join the Transitory Regulation.

Regulatory Decision 03/2023 was published in the Official Government Gazette of the Republic of Cyprus on 22 September 2023.

Regulatory Decision 04/2023 (KDP 296/2023) setting out details concerning the provision of dynamic pricing contracts by suppliers

By Regulatory Decision 04/2023 (KDP 296/2023), CERA decided to lay down details concerning the provision of dynamic pricing contracts by suppliers in the context of applying Article 118 of the Laws Regulating the Electricity Market of 2021 to 2023.

Regulatory Decision 02/2023 was published in the Official Government Gazette of the Republic of Cyprus on 22 September 2023.

DRAFT REGULATORY DECISIONS

Draft Regulatory Decision on the regulation of the development of renewable energy projects for electricity generation by the Cyprus Electricity Authority

On 14 December 2023, CERA announced that it published the draft Regulatory Decision on the regulation of the development of Renewable Energy Projects for electricity generation by the Electricity Authority of Cyprus (EAC) and notified licensees, licence applicants or other interested parties that they could submit their written comments, objections and/or opinions on the draft Regulatory Decision to CERA.

In accordance with the Draft Decision, CERA decided to impose – as an appropriate, necessary and proportionate measure for promoting effective competition and ensuring the proper functioning of the electricity market – the regulation of the development of RES-E projects by EAC for the following decade, by restricting the granting to EAC of a general licence and/or of operating licences and/or of exemptions from the obligation to obtain an operating licence for power plants using RES-E systems and intended for commercial purposes.

ACTIONS TAKEN REGARDING ISSUES RESULTING FROM PREVIOUS REGULATORY DECISIONS

Compliance check of the DSO according to the regulatory framework for the mass installation and operation of smart metering infrastructure

Based on the provisions of Regulatory Decision 02/2018 (KDP 259/2018) on the application of a binding timetable for the mass installation and operation by the Distribution System Operator (DSO) of Advanced Metering Infrastructure, CERA sent a notification under Article 15 of the Laws Regulating the Electricity Market of 2021 to 2023 (Law 130(I)/2021). EAC submitted its objections to the notification, pointing to a prima facie violation of Regulatory Decision No 02/2018 (KDP 259/2018), served to it by CERA.

By Decision 149/2023 CERA decided not to impose on EAC-Distribution any administrative fine for the violation of point 2 of Regulatory Decision No 02/2018 (KDP 259/2018), more specifically for failure to receive 400,000 meters and failure to install at least 171,429 meters by January 2023, as the timetable set for the completion of the installation of the metering systems has not yet expired. In addition, CERA decided to continue monitoring the actions of EAC-Distribution and carry out a new investigation in the event of failure to comply with the final deadline of the completion of the project and the installation of all meters, as set by the Regulatory Decision No 02/2018.

Compliance check of the TSOC and DSO according to the regulatory framework for the determination of general principles and guidelines for the charges imposed for the connection to the transmission and distribution systems

On the basis of the provisions of Regulatory Decision 01/2022 (KDP 105/2022) on the determination of general principles and guidelines for the charges imposed for the connection to the transmission and distribution systems, CERA reviewed the study concerning the determination of the single charge factor “Transmission Cost”, which was submitted to CERA for approval, as provided for by the Regulatory Decision, within six (6) months of its publication in the Official Gazette of the Republic of Cyprus. After reviewing this study and considering specific questions from the TSOC, CERA suggested that the TSOC should revise the study as, despite the approach of the study being considered correct in general, there were still certain points identified where the adoption of a different approach would cause a reduction in the “Transmission Cost”.

Compliance check of the TSOC according to the regulatory framework for the formulation of the Ten-Year Transmission System Development Plan

On the basis of the provisions of Regulatory Decision No 03/2022 (KDP 107/2022 “on the establishment of basic principles for the formulation of the Ten-Year Transmission System Development Plan”, CERA performed a TSOC compliance check, the findings were recorded, and specific deviations were highlighted regarding the TSOC’s compliance with the regulatory framework.

Compliance check of the DSO according to the regulatory framework for the formulation of the Ten-Year Distribution System Development Plan

On the basis of the provisions of Regulatory Decision 04/2022 (KDP 108/2022 “on the establishment of basic principles for the formulation of the Ten-Year Distribution System Development Plan” CERA performed a DSO compliance check, the findings were recorded, and specific deviations were highlighted regarding the DSO’s compliance with the regulatory framework.

DECISIONS

Decision 08/2023 – Fuel Clause Coefficientss for the adjustment of the wholesale tariff (W-T) for the period January-June 2023

By Decision 08/2023 of 17 January 2023, CERA approved the basic prices and fuel clause coefficients for adjusting the wholesale tariff (W-T) for the period January-June 2023, as shown in Table 1.

__Table 1__ – Fuel clause coefficients for adjusting the wholesale tariff (W-T)

	€¢/kWh/1€¢
Low voltage	0.00026450
Medium voltage	0.00025939
High voltage	0.00025438

The fuel clause coefficients for adjusting the wholesale tariff (W-T) apply, for adjustment purposes, to every fuel price change worth €0.01 (for one metric tonne of fuel) compared to the base price of €300/MT for each kWh of electricity invoiced.

The increase in fuel clause coefficients for adjusting the wholesale tariff (W-T) is partly due to the increasing penetration of RES in electricity generation relating to the replacement of RES generation with conventional electricity generation in the evening and due to problems in the steam units of the Vasilikos power plant.

Decision 22/2023 – Methodology for the adjustment of allowed revenue and tariffs of the regulated activities of ownership and operation of the interconnection line

By Decision 22/2023 of 25 January 2023, CERA decided to adopt the methodology for the adjustment of allowed revenue and tariffs of the regulated activities of ownership and operation of the interconnection line, as well as that this Decision will enter into force on the date of commencement of the construction works for Project of Common Interest No 3.10.2, for which the Project Promoter is under obligation to notify CERA in writing.

Decision 35/2023 – Examination of a violation of term 5(f) of LNG Facility Operator's Operating Licence for Liquefied Natural Gas Facility No NG 2 and of CERA Decision 266/2022

By Decision 35/2023 of 7 February 2023, CERA decided that the Natural Gas Public Company (DEFA), failing to submit to CERA the LNG Facility Operating Code provided for by term 5(f) of the LNG Facility Operating Licence within the deadline set in CERA Decision 266/2022, violated both CERA Decision 266/2022 and term 5(f) of the Licence. For this violation, CERA decided to impose a one-off administrative fine of €25,000, which was considered to be reasonable and fair for the nature of the infringement. By the same Decision, CERA also imposed a daily administrative fine of €250 for each day that the violation goes on, up to the date the LNG Facility Operating Code is submitted to CERA for approval, as provided for by term 5(f) of the LNG Facility Operating Licence.

Decision 37/2023 – Project of Common Interest No 3.10.2 Interconnection Between Kofinou (CY) and Korakia, Crete (EL)

By Decision 37/2023 of 7 February 2023, CERA decided to set the duration of the useful life of the fixed assets of Project of Common Interest "Euroasia Interconnector Project of Common Interest No 3.10.2" to 25 years. Also, by said Decision, CERA clarified that by supplementing the useful life of the fixed assets of Project of Common Interest "Euroasia Interconnector Project of Common Interest No 3.10.2", the investments relating to the reinforcement or replacement or renovation of the interconnection line —in particular where these are meant to replace fixed assets that have completed their useful life and are therefore fully depreciated in the regulated fixed assets base— and the costs of new investments and maintenance to continue the operation of the interconnection line should continue to be borne by the Owner of the Interconnection Line in accordance with Article 14 of the methodology for the adjustment of allowed revenue and tariffs of regulated interconnection line ownership and management activities and should be implemented using funds of the Owner of the Interconnection Line of PCI No 3.10.2 which are covered exclusively by the total revenue arising from the interconnection line congestion lease payments and usage fees.

Decision 58/2023 – Rejection of Application No NG-4 of Hoegh LNG Ltd for granting a licence for the construction, ownership and operation of a natural gas facility

By Decision 58/2023 of 7 March 2023, CERA decided to reject Application No NG-4 of Hoegh LNG Ltd for granting a licence for the construction, ownership and operation of a natural gas facility, for the reasons listed in said Decision, as posted on the CERA website.

Decision 76/2023 – Revision of Regulatory Decision 04/2017 on the application of a Transitory Regulation in the Cyprus Electricity Market before the full implementation of the new electricity market model

By Decision 76/2023 of 10 March 2023, CERA decided to initiate the procedure for amending Regulatory Decision 04/2017 on the application of a Transitory Regulation in the Cyprus Electricity Market before the full implementation of the new electricity market model (KDP 223/2017) by deleting a provision to the effect that "RES-E producers who are interested in joining the Transitory Regulation in the Cyprus Electricity Market must become subject to the support scheme of the Ministry of Energy, Commerce, Industry and Tourism", so that participation is open to new RES-E units which are expected to be connected to the electricity grid given that the commercial operation of the competitive electricity market cannot start before the outstanding issues mentioned in the CERA communication of 23 December 2022 are resolved, which creates the need to extend the period of operation of independent electricity producers and independent electricity suppliers in the context of the Transitory Regulation in the Cyprus Electricity Market before the full implementation of the new electricity market model.

Decision 77/2023 – Possibility of participation of energy storage facilities in the Transitory Regulation of the Electricity Market

By Decision 77/2023 of 10 March 2023, CERA decided to invite the TSOC and the DSO, to make all necessary changes to the Regulations of the Transitory Regulation of the Electricity Market and/or the Transmission Rules and/or Distribution Rules, in order to allow for non-discriminatory participation of energy storage facilities in front of the meter in the Transitory Regulation of the Electricity Market, and to submit to CERA for approval a final proposal for amending the Regulations on the Transitory Regulation of the Electricity Market and/or the Transmission Rules and/or Distribution Rules by 31 May 2023.

Decision 78/2023 – Possibility of the electricity consumers to conclude more than one electricity supply contract in the context of the Transitory Regulation of the Electricity Market

By Decision 78/2023 of 10 March 2023, CERA decided to invite the TSOC to consider amending the Regulations of the Transitory Regulation of the Electricity Market, in order to allow a customer to be represented by two suppliers, thus allowing consumers, in their capacity as customers, to simultaneously conclude more than one electricity supply contract, provided that the required connection and metering points have been established, so that in case an independent supplier is unable to provide all the electricity needed, the consumer is able to obtain the remaining amount of electricity from a second supplier, and to submit to CERA for approval a final proposal for amending the Regulations of the Transitory Regulation of the Electricity Market by 31 May 2023.

Decision 79/2023 – Operating Licence for Liquefied Natural Gas Facility No NG 2 - LNG Facility Operator – Request from the licensee to amend point 2(b) of CERA Decision 288/2021

By Decision 79/2023 of 14 March 2023, CERA decided not to accept the request of the holder of the LNG Facility Operating Licence of 29 September 2022 to amend term 2(b) of CERA Decision 288/2021. CERA also decided to issue and serve a notice of violation of CERA Decision 288/2021 of 17 September 2021 and, consequently, of term 9(6) of LNG Facility Operator's Operating Licence for Liquefied Natural Gas Facility No NG 2, inviting the licensee to submit written objections and representations within a period of thirty (30) days from service of the notice.

Decision 110/2023 – Laying down the licensing framework for conducting the activity of a Closed Distribution System Operator

By Decision 110/2023 of 11 April 2023, CERA specified —as regards the Closed Distribution System Operator Licence provided for in Article 26(1)(e) of Law 130(I)/2021, in accordance with Annex I— the application form, the standard terms and the application fees, annual fees, modification fees and transfer fees to apply for the period up until issuance of the new licensing regulations and the new licensing fee regulations.

Decision 112/2023 – Methodology for calculating the adjustment of basic tariff fuels and the cost of preventing thermal generation costs in EAC Generation, and determination of the price of RES-E purchased by EAC-Supply regarding RES-E projects falling under grant and support schemes for RES energy

By Decision 112/2023 of 11 April 2023, CERA decided to amend CERA Report No 04/2018 on the methodology for calculating the adjustment of basic tariff fuels and determination of the price of energy purchased from RES-E. The amendment consists, inter alia, in adding the following as the last paragraph of Chapter 4: “The price of RES-E purchased by EAC-Supply regarding projects which are subject to grant and support schemes and have contracts in place with EAC-Supply shall be determined as follows:

Where the cost of preventing thermal generation for EAC-Supply, as calculated on the basis of the methodology for calculating the adjustment of basic tariff fuels and the cost of preventing thermal generation costs in EAC Generation, is below 11€¢/kWh, the price of electricity purchased from RES-E shall be equal to the current value of said cost of preventing thermal generation for EAC-Supply.

- Where the cost of preventing thermal generation for EAC-Supply, as calculated on the basis of the methodology for calculating the adjustment of basic tariff fuels and the cost of preventing thermal generation costs in EAC Generation, exceeds 11€¢/kWh, the price of electricity purchased from RES-E shall be equal to the average price of electricity purchased from RES-E in the decade from 2013 to 2022, i.e. 11€¢/kWh for low voltage.

- The price for medium and high voltage shall be calculated by EAC-Supply on the basis of approved losses on a monthly basis.”

- It was decided that this Decision would enter into force on 1 May 2023.

Decision 123/2023 – Evaluation of the draft LNG Facility Owner-Operator agreement provided for in term 9(2) of the LNG Facility Operating Licence submitted to CERA for approval on 31 March 2023 by the LNG Facility Operator

By Decision 123/2023 of 28 April 2023, CERA decided not to approve the draft LNG Facility Owner-Operator agreement submitted by the holder of the LNG Facility Operating Licence on 31 March 2023 for the reasons listed in the Annex to that Decision.

Decision 139/2023 – Approval of Ten-Year Distribution Network Development Plan 2023-2032

By Decision 139/2023 of 12 May 2023, CERA approved the Ten-Year Transmission System Development Plan 2023-2032 proposed by the TSOC.

Decision 149/2023 – Investigation of a violation of provisions of Regulatory Decision No 02/2018 (KDP 259/2018) on the application of a binding timetable for the mass installation and operation by the Distribution System Operator (DSO) of Advanced Metering Infrastructure

By Decision 149/2023 of 19 May 2023, CERA decided not to impose on EAC-Distribution any administrative fine for the violation of point 2 of Regulatory Decision No 02/2018 (KDP 259/2018), more specifically for failure to accept 400,000 meters and failure to install at least 171,429 meters by January 2023, as the timetable set for the completion of the installation of the metering systems has not yet expired. In addition, CERA decided to continue monitoring the actions of EAC-Distribution and carry out a new investigation in the event of failure to comply with the final deadline of the completion of the project and the installation of all meters, as set by the Regulatory Decision No 02/2018.

Decision 150/2023 – Tariff for the recovery of the Public Service Obligations (PSO) expenditure

By Decision 150/2023 of 19 May 2023, CERA approved the tariff for the recovery of Public Service Obligations (PSO) expenditure at €0.00058/kWh and its application for monthly consumers based on the electricity bills for which the corresponding consumption will be measured at the end of June 2023, and for bi-monthly consumers based on the electricity bills for which the corresponding consumption will be measured from 1 June 2023.

Decision 154/2023 – Approval of Version 1.0.0 of the Transmission Rules

By Decision 154/2023 of 26 May 2023, CERA approved Version 1.0.0 of the Transmission Rules, as submitted by the TSOC, which will enter into force on the basis of a subsequent CERA decision following approval of Version 1.0.0 of the Distribution Rules and repeal of the existing Transmission and Distribution Rules.

Decision 165/2023 – Assessment of the revised proposal of connection projects of the first open procedure that was submitted for approval to CERA by the Natural Gas Transmission System Operator on 31 March 2023

By Decision 165/2023 of 2 June 2023, CERA decided not to approve the revised proposal for the connection projects of the first open procedure for gas demand assessment in the transmission system, as submitted by the Natural Gas Transmission System Operator on 31 March 2023, inviting the licensee:

- to make the necessary amendments to the documents of the proposal for connection projects, in accordance with Annex I to that Decision; and
- to submit to CERA for approval, within three (3) weeks from the date of notification of CERA Decision 165/2023, an updated proposal for connection projects.

Decision 166/2023 – Guidelines to the Natural Gas Transmission System Operator regarding the charges imposed for connecting to the Natural Gas Transmission System

By Decision 166/2023 of 2 June 2023, CERA issued guidelines to the Natural Gas Transmission System Operator regarding the charges imposed for connecting to the Natural Gas Transmission System. These Guidelines were issued to assist the Transmission System Operator to immediately and correctly draw up the methodology for determining the charges for connecting to the Natural Gas Transmission system and, therefore, to speed up the implementation of the first open procedure for gas demand assessment in the Natural Gas Transmission System and the conclusion of the first three connection agreements, also taking account of term 8(1) of the Licence for Construction, Ownership, Operation and Management of the Natural Gas Transmission System.

Decision 173/2023 – Application by Euroasia Interconnector Ltd (HE 296435) for granting an Interconnection Line Owner Licence (No A1095)

By Decision 173/2023 of 13 June 2023, CERA decided to grant an Interconnection Line Owner Licence to EuroAsia Interconnector LTD (HE 296435) for the electrical interconnection between Cyprus (Kofinou) and Greece (Crete) with a total capacity of 1050MW, valid for thirty (30) years.

A special term was added to this licence which provides that the licensee must comply with the timetable for the implementation of the interconnection line, as approved in the CERA-RAE Cross-Border Cost Allocation Agreement. If the timetable for the implementation of the interconnection line is revised, the licensee must submit a request for amending the timetable under the relevant Agreement and to obtain approval as appropriate.

Decision 174/2023 – Application by EUTSO Ltd (HE 366961) for granting an Interconnection Line Operator Licence (No A1096)

By Decision 174/2023 of 13 June 2023, CERA decided to grant an Interconnection Line Operator Licence to EUTSO LTD (HE 366961) for the electrical interconnection between Cyprus (Kofinou) and Greece (Crete) with a total capacity of 1050MW, valid for thirty (30) years.

The following special terms were added to this authorisation:

- The Licensee shall enter into, or have in place, a Cooperation Agreement with a European Transmission Operator in order to secure the necessary technical support services prior to the start of operation of the interconnection and shall ensure that the Cooperation Agreement remains in force throughout the effective period of its Licence. The Cooperation Agreement with a European Transmission Operator for the provision of necessary technical support services shall be submitted to CERA for approval before it is entered into and shall be subject to amendment after a joint request is submitted by the parties to CERA or at the request of CERA.

- The licensee shall, 18 months before completion of the electrical interconnection infrastructure (the date of completion of the electrical interconnection infrastructure is the date of approval of the CERA-RAE Cross-Border Cost Allocation Agreement), submit for approval the interconnection line operator’s final business plan, which must not differ substantially from that submitted along with the application, as well as a detailed timetable for the implementation and enforcement of the plan, making sure that its staffing will be sufficiently completed before completion of the electrical interconnection infrastructure.

- The licensee shall, 12 months before completion of the electrical interconnection infrastructure (the date of completion of the electrical interconnection infrastructure is the date of approval of the CERA-RAE Cross-Border Cost Allocation Agreement), submit for approval a final detailed timetable for a transitional testing and training period, which must not differ substantially from that submitted along with the application and shall be implemented in consultation with the interconnection line owner and the other operators and regulatory authorities involved (as appropriate).

- The holder of an Interconnection Line Operator Licence shall have in place a Cooperation Agreement with the holder of the Interconnection Line Owner Licence prior to the start of operation of the interconnection and shall ensure that the Cooperation Agreement remains in force throughout the effective period of its Licence. The Cooperation Agreement with the holder of the Interconnection Line Owner Licence may be amended only following approval of a joint request submitted by the parties to CERA or at the request of CERA.

Decision 188/2023 – Investigation of a possible violation of the terms and conditions of the exemptions from the obligation to hold a licence and of the Regulations on the Transitory Regulation of the Electricity Market for licensees participating in the Transitory Regulation of the Electricity Market

By Decision 188/2023 of 16 June 2023, CERA decided that no strategic behaviours were established on the part of the participants concerned which were not in line with the principles of European and national competition law in respect of the reporting period from April 2022 to September 2022, as any imbalances found were within the parameters of the Transitory Regulation of the Electricity Market, as well as to invite all participants in the Transitory Regulation of the Electricity Market to streamline the procedures for forecasting the monthly electricity declarations, in order to minimise the relevant imbalances.

Decision 189/2023 – Parameters of the Regulations on the Transitory Regulation of the Electricity Market, Version 1.9 for calendar year 2023

By Decision 189/2023 of 16 June 2023, CERA decided to approve the parameters of the Regulations on the Transitory Regulation of the Electricity Market relating to non-compliance unit charges and non-compliance deviation tolerance threshold charges, and invited the TSOC to make all necessary modifications to the Regulations on the Transitory Regulation of the Electricity Market so that the UNCRES, UNCP and UNCNDP parameters can be defined with different values for production surpluses and deficits, and in order for the TSOC to develop (in cooperation with the DSO), for the application of the TOLRES parameter, a methodology for calculating the energy of the cuts for each plant using a specific methodology, which will be excluded from the calculation of the deviation.

Decision 195/2023 – Approval of Ten-Year Distribution Network Development Plan 2023-2032

By Decision 195/2023 of 27 June 2023, CERA approved the proposed Ten-Year Distribution System Development Plan 2023-2032, as submitted by the DSO, provided that reports were removed.

Decision 196/2023 – Evaluation of the draft LNG Facility Owner-Operator agreement provided for in term 9(2) of the LNG Facility Operating Licence submitted to CERA for approval on 19 May 2023 by the LNG Facility Operator

By Decision 196/2023 of 27 June 2023, CERA decided to approve the draft LNG Facility Owner-Operator agreement provided for in term 9(2) of the LNG Facility Operating Licence, as submitted to CERA for approval by the Liquefied Natural Gas Facility Operator on 19 May 2023.

Decision 198/2023 – Request from the Transmission System Operator to extend the deadline for the submission of the revised proposal for connection projects in the context of the first open procedure

By Decision 198/2023 of 27 June 2023, CERA decided to approve the request from the Natural Gas Transmission System Operator to extend the deadline for the submission of the revised proposal for connection projects until 31 July 2023, instructing the Operator to comply with CERA Decision 165/2023 immediately.

Decision 207/2023 – Fuel clause factors for the adjustment of the wholesale tariff (W-T) for the period July-December 2023

By Decision 207/2023 of 4 July 2023, CERA approved the basic prices and fuel clause factors for adjusting the wholesale tariff (W-T) for the period July-December 2023, as shown in Table 2.

***Table 2** – Fuel Clause Factors*

Fuel clause factor for adjusting the wholesale tariff (W-T)	
	€¢/kWh/1€¢
Low voltage	0.00025464
Medium voltage	0.00024730
High voltage	0.00024042

Decision 239/2023 – Changes to the Regulations on the Transitory Regulation of the Electricity Market, Version 1.10

By Decision 239/2023, of 21 April 2023, CERA decided to make changes to the Regulations on the Transitory Regulation of the Electricity Market, Version 1.9 and issue the Regulations on the Transitory Regulation of the Electricity Market, Version 1.10.

Decision 240/2023 – Update of the Cross-Border Cost Allocation Agreement for Project of Common Interest No 3.10.2 Interconnection between Kofinou (CY) and Korakia, Crete (EL)

By Decision 240/2023 of 21 July 2023, CERA decided to sign the CERA-RAE agreement entitled "Joint Decision of the Hellenic Regulatory Authority for Energy (RAE) and the Cyprus Energy Regulatory Authority (CERA) following the Commission Delegated Regulation (EU) 2022/564 with regards to revision and updates related to the Cross-Border Cost Allocation Agreement, of 10 October 2017 and the Joint Decision of the Hellenic Regulatory Authority for Energy (RAE) and the Cyprus Energy Regulatory Authority (CERA) of 23 April 2023, following the Commission Delegated Regulation (EU) 2020/389", which has to do with updated and revised issues relating to:

- the timetable for the implementation of PCI No 3.10.2; and
- recognition of the additional capital cost and confirmation of the already agreed cross-border cost allocation, namely that 37 % of the agreed implementation cost (according to the CBCA Agreement of 10 October 2017) is allocated to Greece and 63 % to Cyprus, provided that funding of €750m will be provided by third parties.

Decision 246/2023 – Submission of LNG Facility Operating Code by a holder of an LNG Facility Operating Licence

By Decision 246/2023 of 1 August 2023, CERA decided that as of 6 July 2023, i.e. the date on which the holder of the LNG Facility Operating Licence submitted to CERA for approval the LNG Facility Operating Code, the violation of CERA Decision 266/2022 and of term 5(f) of the Licence ended, and therefore the obligation to pay the daily administrative fine imposed on the licensee on the basis of CERA Decision 35/2023 of 7 February 2023 was terminated.

Decision 248/2023 – Investigation of a violation of term 12(1) of OTS/TSO's Licence for Construction, Ownership, Exploitation and Operation of the Natural Gas Transmission System No NG 1

By Decision 248/2023 of 1 August 2023, CERA, considering that the licensee —due to its failure to submit to CERA, by the date of receipt of said Decision, the revised proposal for connection projects in the context of the first open procedure— failed, or might have failed, to comply with legally binding CERA decisions, decided to issue and serve, pursuant to Article 13(1) of the Laws Regulating the Natural Gas Market of 2004 to 2022, a notice of violation of term 12(1) of the Licence for Construction, Ownership, Exploitation and Operation of the

Natural Gas Transmission System to the licensee (DEFA), inviting it to submit its written objections and representations within a period of thirty (30) days from service of the notice.

Decision 249/2023 – Investigation of a possible violation of the terms and conditions of EAC Supply Licence No Π1-Law 419(A)/ΠΘ1-2006 regarding overpriced bills based on estimated electricity consumption

By Decision 249/2023 of 1 August 2023, CERA decided, following a relevant ex-officio investigation, that by issuing an increased number of overpriced bills based on estimated consumption in the period from June to September 2022 and due to its actions and omissions, the Electricity Authority of Cyprus, holder of the Supply Licence No P1-Law 419(A)/ΠΘ1-2006, violated terms 3 and 4(a) of its Supply Licence due to failure to comply with Regulation 13 of the Regulations Regulating the Electricity Market (Performance Indicators) of 2005 (KDP 571/2005) and Supply Rules 7.1.2 and 7.1.4(15) of the End Customer Supply Rules. By its Decision 249/2023, CERA further decided to impose an administrative fine of fifty thousand euros (€50,000) on the EAC.

ADecision 283/2023 – Application by the Natural Gas Public Company (DEFA) for granting a licence to supply non-eligible customers

By Decision 283/2023 of 22 August 2023, CERA decided to grant the Natural Gas Public Company (DEFA) the requested licence to supply natural gas to non-eligible customers.

Decision 293/2023 – Procedure for submitting and examining an objection on the basis of Article 7(2)(f) of Law 183(I)/2004.

By Decision 293/2023 of 29 August 2023, after establishing the need to prepare a procedure for submitting and examining an objection for review against a decision or a regulatory decision or a draft decision or a draft regulatory decision of CERA in accordance with the provisions of Article 7 of Law 183(I)/2004, CERA approved and published the Procedure for Submitting and Examining an Objection on the basis of Article 7(2)(f) of the Law Regulating the Natural Gas Market (Law 183(I)/2004).

Decision 298/2023 – Separate EAC Accounts for 2022

By Decision 298/2023 of 1 September 2023, CERA instructed EAC to publish the Separate Accounts for the year ended on 31 December 2022, which were audited and approved by its Board of Directors, on the EAC website, and to submit to CERA for approval explanations on how to calculate the return on average Regulated Asset Base (RAB) for the CRA of Generation, Transmission and Distribution and the Margin Cost on the commercial and accounting management for the CRA of Supply.

Decision 304/2023 – Approval of Version 1.0.0 of the Distribution Rules

By Decision 304/2023 of 8 September 2023, CERA approved the proposed Version 1.0.0 of the Distribution Rules, as submitted by the DSO, which will enter into force together with the approved Version 1.0.0 of the Transmission Rules, as well as the repeal of all approved and effective versions of the existing Transmission and Distribution Rules.

Decision 312/2023 – Approval of an amended version of the Ten-Year Transmission System Development Plan 2023-2032

By Decision 312/2023 of 12 November 2023, CERA approved the amended version of the Ten-Year Transmission System Development Plan 2023-2032, as submitted by the TSOC.

Decisions 317/2023 – Allowed revenue and regulated electricity tariffs for 2023

By Decision 317/2023 of 15 September 2023, CERA approved the allowed revenue and regulated basic electricity tariffs for 2023. The 2022 regulated tariffs will remain in force in 2023.

Decisions 318/2023 - TSOC allowed revenue and regulated tariff for 2023

By Decision 318/2023 of 15 September 2023, CERA approved the allowed revenue and the regulated basic tariff specified by the TSOC for 2023, amounting to 0.11€¢/kWh.

Decision 331/2023 – Examination of a violation of term 12(1) of OTS/TSO's Licence for Construction, Ownership, Exploitation and Operation of Transmission System No NG 1

By Decision 331/2023 of 22 September 2023, CERA decided to impose on DEFA, for violating term 12(1) of the Licence for Construction, Ownership, Exploitation and Operation of the Natural Gas Transmission System, a one-off administrative fine of €25,000 as well as a daily administrative fine of €250 for each day that the violation goes on.

Decision 365/2023 – Project of Common Interest No 3.10.2 Interconnection Between Kofinou (CY) and Korakia, Crete (EL)

By Decision 365/223 of 13 February 2023, CERA decided to extend the duration of the useful life of the fixed assets of the Project of Common Interest "Euroasia Interconnector CIP No 3.10.2, as set by CERA Decision 37/2023 of 7 February 2023, from 25 years to 35 years.

Decision 379/2023 – Decision on the cross-border cost allocation of Project of Common Interest No 7.3.1 entitled "Pipeline From the East Mediterranean Gas Reserves to Greece Mainland via Cyprus and Crete (Currently Known as 'EastMed Pipeline'), With Metering and Regulating Station at Megalopoli"

By Decision 379/223 of 26 October 2023, CERA decided to sign the agreement between the Cyprus Energy Regulatory Authority (CERA), the Greece Regulatory Authority for Energy, Waste and Water (RAEWW) and the Italy Regulatory Authority for Energy, Networks and Environment (ARERA) entitled "Coordinated decision on Eastmed PCI Investment Request and on the allocation of the investment costs by the Regulatory Authority for Energy, Waste and Water (RAEWW), the Cyprus Energy Regulatory Authority (CERA) and the Italian Regulatory Authority for Energy, Networks and Environment (ARERA)".

More specifically, it was agreed and decided as follows:

The profitable investment costs incurred in connection with, and related to, the Project of Common Interest No 7.3.1 "Pipeline from the East Mediterranean gas reserves to Greece mainland via Cyprus and Crete [currently known as 'EastMed Pipeline'], with metering and regulating station at Megalopoli" shall be born by the project implementing body IGI Poseidon SA.

No compensation shall be requested from the transmission system operators in Cyprus, Greece or Italy and no expenditure shall be allocated to Cyprus, Greece and Italy for the Project of Common Interest No 7.3.1.

On the basis of the cross-border cost allocation, no costs related to the Project of Common Interest No 7.3.1 "Pipeline from the East Mediterranean gas reserves to Greece mainland via Cyprus and Crete [currently known as 'EastMed Pipeline'], with metering and regulating station at Megalopoli" shall be included in the national tariffs of Cyprus, Greece or Italy.

The project implementing body IGI Poseidon SA shall report regularly, twice a year, to national regulators RAEWW, CERA and ARERA on the progress of Project of Common Interest No 7.3.1. and the determination of the costs and impacts associated with it.

The information must be submitted on the date the project implementing body has to submit the annual report for the Project of Common Interest in accordance with Article 5(4) of Regulation (EU) No 347/2013 and Article 5(4) of Regulation (EU) 2022/869, as applicable in accordance with the approval of the first list of projects of common interest under Regulation (EU) 2022/869. The information shall include at least the annual report for Project of Common Interest No 7.3.1.

Subsequently, the updated information shall be submitted by the implementing body IGI Poseidon SA within six months of expiry of the deadline for submitting the annual report for the Project of Common Interest.

Decision 403/2023 – Approval of EAC Activity Performance Levels for 2022, on the basis of audited separate accounts of 2022

By Decision 403/2023 of 17 November 2023, CERA approved the EAC Activity Performance Levels for 2022, on the basis of the audited separate accounts of 2022, as shown in Table 3.

Table 3 *- EAC Activity Performance Levels for 2022.*

	Generation	Transmission	Distribution	Supply
Performance based on the average regulated asset base	0,33%	2.88%	2.33%	
Profit margin based on the commercial and accounting management expenses				36.83%

Decision 415/2023 – Evaluation of the LNG Facility Operating Code submitted by the holder of the LNG Facility Operating Licence

By Decision 415/2023 of 24 November 2023, CERA decided to accept the preparation of the LNG Facility Operating Code in English, and not to approve the LNG Facility Operating Code submitted by the holder of the LNG Operating Licence on 6 July 2023, inviting the latter to re-submit it after taking into account is observations listed in the Annex to the above Decision.

Decision 429/2023 – Tariff for the recovery of the Public Service Obligations (PSO) expenditure

By Decision 429/2023 of 8 December 2023, CERA approved the tariff for the recovery of Public Service Obligations (PSO) expenditure at €0.00102/kWh and its application for monthly consumers based on the electricity bills for which the corresponding consumption will be measured at the end of January 2024, and for bi-monthly consumers based on the electricity bills for which the corresponding consumption will be measured from 1 January 2024.

Decision 431/2023 – Approval of parameters of the Regulations on the Transitory Regulation of the Electricity Market proposed by the Distribution System Operator (DSO), Version 1.10 for calendar year 2024

By Decision 431/2023 of 8 December 2023, CERA approved the distribution loss factors of the distribution system (medium and low voltage) for 2024.

Decision 433/2023 – Changes to the Regulations on the Transitory Regulation of the Electricity Market, Version 1.11

By Decision 433/2023, of 8 December 2023, CERA decided to make changes to the Regulations on the Transitory Regulation of the Electricity Market, Version 1.10 and issue the Regulations on the Transitory Regulation of the Electricity Market, Version 1.11.

Decision 434/2023 – Parameters of electricity market rules defined by CERA; Determination of a minimum percentage for purchasing energy from the Day-Ahead Market in connection with EAC's Core Regulated Activity (CRA) of Supply ([Zp] %)

By Decision 434/2023 of 8 December 2023, CERA decided to revise the parameter value [zp] %, as set by CERA Decision 309/2020, at up to 18 % for low demand months (November to April) and up to 28 % for high demand months (May to October).

Decision 446/2023 – Completion of the investigation of a possible violation of the terms and conditions of Licence No Law 419(A)/TSO1-2004 regarding the operation and reliability of a ring of underground high voltage cables in the urban area of Nicosia, pursuant to the provisions of Article 12 of the Laws Regulating the Electricity Market

By Decision 446/2023 of 15 December 2023, CERA decided that the actions and omissions of the TSOC during the essential period of the investigation regarding:

- the management of faults and problems of the high voltage underground cable ring in the urban area of Nicosia;
- the operation of the Transmission System in the summer period of 2019, the status of the Transmission System;
- adherence to the N-1 safety and reliability criterion in the Transmission System from February 2019 to this date;
- how the Ten-Year Transmission System Development Plans (TYNDP-Transmission) were developed;
- the implementation of TYNDP-Transmission projects;
- the implementation of the Transmission System Protocol;
- the maintenance of the Transmission System;
- the safety level of the transmission system and the quality of service;
- the management of the fault in the underground cable "Strovolos - Ieratiki Scholi No 1"

constitute a violation of Articles 70(1)(a), 73(3)(a) and 76(3) of current Law 130(I)/2021 and of the corresponding Articles of Law 122(I)/2003, which was in force until 2021, of the terms of the Licensee's Licence, and of the Transmission System Protocol by the TSOC. CERA decided to impose an administrative fine of one hundred thousand euros (€100,000) on the TSOC, which is considered to be reasonable, fair and proportionate, taking into account the nature, severity and duration of the violations, and after assessing and taking into consideration as mitigating factors the actual intention of the TSOC to comply and the objective reasons that contributed to the violations, which were beyond the capabilities of the TSOC.

CERA instructed the TSOC to take all necessary steps to strictly adhere to the timetables for the implementation of projects Nos 27, 29, 38, 61, 62, 67, 87, 88, 89 and 110 concerning the fixing of problems in the ring, as presented to the approved TYNDP-Transmission 2023-2032.

ADecision 456/2023 – Approval of security coverage parameters of the Regulations on the Transitory Regulation of the Electricity Market, Version 1.11 for calendar year 2024

By Decision 456/2023 of 22 December 2023, CERA decided to approve the security coverage parameters of the Regulations on the Transitory Regulation of the Electricity Market, Version 1.11 for calendar year 2024.

Trading and Settlement Rules for electricity

According to the Laws Regulating the Electricity Market of 2021 to 2023, the Trading and Settlement Rules (TSRs):

- Govern the mechanisms, prices and other terms and conditions that apply in cases where licensees buy or sell electricity based on arrangements made by the TSOC.
- Ensure that licensees, who are required to participate in the purchase and the sale of electricity, under these arrangements, will not be subject to discrimination.
- Promote efficiency and economy and facilitate competition in the purchase and sale of electricity under these arrangements.
- Provide non-compliance charges which the TSOC, in its capacity as the Electricity Market Operator, imposes on any of the participants in the electricity market in case of failure to comply with any obligation provided in the TSRs.
- Are fully harmonised with the provisions of Regulation (EU) 2019/943, where applicable.

The TSRs are adhered to by all final customers that directly or aggregately participate in the electricity market, licensees or persons that have been granted exemptions, based on the provisions of Article 27 to the extent that this is required by their licences or exemptions.

In the reporting year, by Decision 155/2023 of 26 May 2023, CERA approved a relevant recommendation by the TSOC and established the composition of the informal advisory committee for reviewing the TSRs, as the need to amend them came up during the process of preparing the Market Management System software.

Transmission Rules

According to the Laws Regulating the Electricity Market of 2021 to 2023, the Transmission Rules (TRs):

- Govern the technical requirements and restrictions applied by licensees whenever they want to connect to the transmission system or use the transmission system, or for the transmission of electricity.
- Ensure that the technical terms applicable to licensees who wish to connect or use the transmission system do not discriminate against licensees.
- Promote efficiency, reliability and economy in the use and development of the transmission system.

- Are fully harmonised with the provisions of Regulation (EU) 2019/943, where applicable.

The provisions of the TRs shall be adhered to by final customers to the extent required by the terms of their connection with the transmission network and by all licensees or by persons to whom exemptions have been granted, to the extent required by their licences or exemptions, respectively.

In the reporting year, the proposal from the TSOC regarding the composition of the informal advisory committee on TRs, as approved by the Decision of CERA 45/2023, was submitted to CERA in the context of the examination of TRs. Following the legal procedure, by Decision 154/2023, CERA approved the Transmission Rules – Version 1.0.0. This is the first version of the Transmission Rules (TRs), which are now separated from the Distribution Rules (DRs) under the new legislation, as both the Transmission Rules and the Distribution Rules were one single text under the previous legislation.

Distribution Rules

According to the Laws Regulating the Electricity Market of 2021 to 2023, the Distribution Rules (DRs):

- Govern the technical requirements and restrictions applied by licensees whenever they want to connect to the distribution system or use the distribution system, or for the distribution of electricity.
- Ensure that the technical terms applicable to licensees who wish to connect or use the distribution system do not discriminate against licensees.
- Promote efficiency, reliability and economy in the use and development of the distribution system.
- Are fully harmonised with the provisions of Regulation (EU) 2019/943, where applicable.

The provisions of the DRs shall be adhered to by final customers to the extent required by the terms of their connection with the distribution network and by all licensees or by persons to whom exemptions have been granted, to the extent required by their licences or exemptions, respectively.

In the reporting year, the proposal from the DSO regarding the composition of the informal advisory committee on DRs, as approved by CERA's Decision 71/2023, was submitted to CERA in the context of the examination of DRs. Following the legal procedure, by Decision 304/2023, CERA approved the Distribution Rules – Version 1.0.0. This is the first version of the Distribution Rules (DRs), which are now separated from the Transmission Rules (TRs) under the new legislation, as both the Transmission Rules and the Distribution Rules were one single text under the previous legislation.

Progress of the works for the operation of the competitive electricity market in Cyprus

In relation to the progress of the work for the operation of the competitive electricity market, CERA issued a relevant announcement on 23 December 2023. This announcement contains information for all interested parties.

The TSOC, in its capacity as Market Operator, has carried out two different periods of trial operation of the competitive electricity market. The aim was to fully control all operations at the Market Operator level and at the participant level, as well as to verify and improve all procedures relating to the operation of the competitive electricity market. The results of the trial operation demonstrated the need for improvements in the electricity market management and meter data management software, as well as the need for the TSOC to use its own staff in order to put an end to its dependence on EAC staff and thus create the conditions for operating impartially.

Following the information received by CERA from the TSOC on the progress of the works in 2023 and the resolution of the outstanding issues relating to the start of the full-blown operation of the competitive electricity market, CERA would like to point out the following:

- Market management system software: The TSOC accepted the market management system (MMS) software on 31 March 2023 subject to certain conditionalities. The outstanding issues for the final acceptance of the software are expected to be resolved by 31 March 2024. According to the regulatory framework, the MMS software will be audited by an independent entity as regards its consistency with the Electricity Trading and Settlement Rules.

- Meter data management system software: The TSOC has planned to carry out a check of the meter data entered into the MMS software by the meter data management system (MDMS) software of the Distribution System Operator (DSO) in the first months of 2024. The check will demonstrate the level of reliability of the meter data used for clearing purposes. The check is expected to detect and correct any problems, so that the meter data used for market clearing in the following trial period of market operation are complete and reliable.

- TSOC impartiality: The obligation of the TSOC to act impartially as Market Operator, which must be fully complied with and certified before the commercial operation of the competitive electricity market, has not been fulfilled so far, despite the progress made with the publication of the Law on Electricity Development (Amending) of 2023 on 6 November 2023, which provided that EAC is under obligation to adopt regulations within four months. After the regulations are adopted and a relevant decree is issued by the Minister for Energy, Commerce and Industry, EAC will, in cooperation with the TSOC, invite in writing each member of its staff working for, and being subject to, the TSOC to express its potential interest in being transferred from EAC to TSOC.

The TSOC also implemented the first phase of the project relating to its certification on the basis of the provisions of Article 80 of the Law Regulating the Electricity Market of 2021 (Law 130(I)/2021), which provides for the impartiality and independence of the TSOC, in accordance with CERA Decision 28/2022.

- TSOC staffing: The staffing of the TSOC with shift staff for the operation of the competitive electricity market, which is a necessary condition for the electricity market to be able to operate on a shift schedule, is still pending. As of today, 1 September 2023, the two TSOC manager positions of System Operations Manager and Market Operations Manager, as provided for by the Law Regulating the Electricity Market of 2021 (Law 130(I)/2021) have been filled. The appointment of the two Managers was a prerequisite for the staffing of the TSOC, as these two Managers are members of the TSOC‘s Extended Special Committee which is responsible for the recruitment of the rest of the staff.

The TSOC has informed CERA that, for as long as the above important actions remain pending, it is impossible to ensure the safe transition to a competitive electricity market environment. More specifically, these pending issues are critical milestones and are used to determine the start date of the final trial period, where all systems are to be tested in simultaneous operation under real conditions. According to the progress report submitted by the TSOC to CERA, the competitive electricity market is expected to be put in operation in the autumn of 2025.

Until the above steps are implemented, the participants will continue to operate through the individual checks and tests already carried out by the TSOC. In addition, they already have unlimited access to the MMS software test platform, to continue testing the functionality of the systems developed with the MMS software.

CERA has instructed the TSOC:

- to plan, following consultation with the members of the TSOC‘s Extended Special Committee which is responsible for the recruitment of the rest of the TSOC staff, all recruitment procedures (which are time-consuming when it comes to a body governed by public law), to speed up and update the schedule of staff recruitment actions;

- to publish an updated schedule of actions required until the start of operation of the competitive electricity market;

- to keep all interested parties informed by posting communications on its website on the progress of the works for the operation of the competitive electricity market every six months.

3 ENERGY POLICY, INTERNATIONAL AND LOCAL ACTIVITIES

European legislation

Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652

Directive (EU) 2023/2413 increased the target for the share of Renewable Energy Sources (RES) in EU energy consumption to 42.5% by 2030, compared to the previous target of 32%, with an ambition of reaching 45%. This target refers to an EU average, while Member States will set their own national contributions to the target. Furthermore, Member States will set an indicative target for innovative renewable energy technology of at least 5% of newly installed renewable energy capacity by 2030.

The Directive also set additional targets in the transport, building, industry, and heating and cooling sectors. With regard to transport, Member States may choose between a commitment to reduce greenhouse gas intensity by 14.5% or to ensure a share of RES of at least 29% by 2030.

The annual target for increasing the share of RES in industry has been set at 1.6%, with additional targets for renewable hydrogen (42% by 2030 and 60% by 2035). For heating and cooling there is a national binding target for an annual increase in the share of RES of 0.8% by 2026, followed by an annual increase of 1.1% by 2030. The indicative target for the share of RES in the building sector is 49% by 2030.

Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast)

Directive (EU) 2023/1791 significantly reinforces the EU's energy efficiency ambition. It provides that the "energy efficiency first" principle is fundamental to the EU energy policy, giving it legal force for the first time. In practice, this means that energy efficiency must be considered by EU Member States in all relevant policies and major investment decisions taken in the energy and non-energy sectors.

The 2023 revision of the Directive is a continuation of a proposal for a recast of the Energy Efficiency Directive submitted by the Commission in July 2021, in the context of the EU Green Deal package. The 2021 proposal was further strengthened in the framework of the REPowerEU plan submitted by the Commission in May 2022, aiming to reduce the EU's dependence on fossil fuel imports from Russia.

The full implementation of the Energy Efficiency Directive will be crucial for the EU to comply with the global commitment to double the global rate of energy efficiency improvements from around 2% to over 4% by 2030.

Regulation (EU) 2023/1804 of the European Parliament and of the Council on the deployment of alternative fuels infrastructure, and repealing Directive 2014/94/EU

This Regulation was published in September 2023 and aims to establish mandatory national targets leading to the deployment of sufficient alternative fuels infrastructure in the Union for road vehicles, trains, vessels and stationary aircraft. It lays down common technical specifications and requirements on user information, data provision and payment requirements for alternative fuels infrastructure.

It also sets out rules to be adopted by the Member States, including rules for the deployment of alternative fuels infrastructure in areas where no mandatory Union-wide targets are set and for reporting on the deployment of such infrastructure.

The Regulation also establishes a reporting mechanism to encourage cooperation and ensures robust tracking of progress. The reporting mechanism takes the form of a structured, transparent and iterative process taking place between the Commission and Member States for the purpose of finalising the national policy frameworks, taking into account existing local and regional strategies for the deployment of alternative fuels infrastructure, and their subsequent implementation and corresponding Commission action to support the coherent and more rapid deployment of alternative fuels infrastructure in the Member States.

Decarbonisation package for the hydrogen and natural gas markets

A provisional political agreement was reached on 21 December 2023 between the Council and the European Parliament, which must be formally ratified and approved by both institutions. The interim agreement provides for a separate new EU entity for Hydrogen Network Operators (ENNOH). It will be independent of the existing European Network of Transmission System Operators for Gas (ENTSOG) and the European Network of Transmission System Operators for Electricity (ENTSOE), while taking advantage of synergies and cooperation between the three sectors. It was agreed that default provisions should be established to operationalise the solidarity principle in case of a crisis, where bilateral agreements are not in place. The agreement also includes the establishment of a cross-border conciliation mechanism for an ex-post revision of compensation, the voluntary reduction of non-essential consumption by protected customers, and safeguards for cross-border flows.

Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1227/2011 and (EU) 2019/942 to improve the Union's protection against market manipulation in the wholesale energy market

The proposal for a Regulation was submitted by the European Commission on 14 March 2023 in response to the high and volatile energy prices in 2022, adapting the scope of the previous Regulation to the current and evolving market circumstances.

The Regulation lays the foundation for increased market transparency and integrity, enhancing the public's trust in the functioning of wholesale energy markets. It lays down clearer and stricter requirements for market participants in the EU market who live in a third country. From now on, they should appoint a representative in the Member State in whose wholesale energy market they are operating. The representative must be appointed by written order and be authorised to act on behalf of the market participant.

The new Regulation also gives the European Union's Agency for the Cooperation of Energy Regulators (ACER) the discretion to investigate cross-border cases affecting at least two Member States.

The Regulation introduces new tools to be used by ACER to conduct investigations. For example, it will be able to carry out on-site inspections and issue requests for information, also being authorised to interview people and issue decisions.

In addition, it will have the power to impose periodic penalty payments in order to ensure compliance with the decisions of on-site inspections and requests for information.

The power to impose fines for breaching the prohibitions or for failure to comply with the essential obligations set out in the Regulation will remain in the competence of Member States.

On 18 March 2024, the Council adopted the new Regulation, which is to be signed, published in the Official Journal of the EU and enter into force twenty days later.

Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2019/943 and (EU) 2019/942 as well as Directives (EU) 2018/2001 and (EU) 2019/944 to improve the Union's electricity market design

The proposal for a Regulation was submitted by the European Commission on 14 March 2023 and the targeted reforms are aimed at addressing the shortcomings revealed by the energy crisis, in particular price volatility and security of supply. They also introduce long-term changes that are necessary to achieve the goals set out in the European Green Deal. More specifically, the proposed amendments to Regulation (EU) 2019/943 (Electricity Market Regulation) concern Article 7 (day-ahead and intraday markets), the introduction of a new Article 7a (Peak shaving product) and a new Article 7b concerning the dedicated metering device. The proposals also provide for a recast of Article 8 (Trade on day-ahead and intraday markets), Article 9 (Forward markets), Article 18 (Charges for access to networks, use of networks and reinforcement) and Article 19 (Congestion income), whereas the following new articles are added: Article 19a (Power purchase agreements), Article 19ab (Union database), Article 19a (Voluntary templates for power purchase agreements), Article 19ad (European renewable energy auctioning system), Article 19b (Direct price support schemes for investment in new power-generating facilities), Article 19c (Assessment of flexibility needs), Article 19d (Indicative national objectives for demand side response and storage), Article 19e (Flexibility support schemes) and Article 19f (Design principles for flexibility support schemes). The proposal for amending Regulation (EU) 2019/943 also includes a recast of Article 21 (General principles for capacity mechanisms), Article 50 (Provision of information), Article 57 (Cooperation between distribution system operators and transmission system operators) and Article 69 (Commission reviews and reports).

As regards amending Directive (EU) 2019/944 (Electricity Market Directive), it focuses on recasting Article 4 (Free choice of supplier), Article 11 (Entitlement to a fixed-term, fixed-price electricity supply contract and to a dynamic electricity price contract), Article 31 (Tasks of distribution system operators), Article 33 (Integration of electromobility into the electricity network), Article 59 (Duties and powers of the regulatory authorities) and adding the following new articles: Article 15a (Right to energy sharing), Article 18a (Supplier risk management), Article 27a (Supplier of last resort), Article 28a (Protection from disconnections for vulnerable customers) and Article 66a (Access to affordable energy during an electricity price crisis).

Commission Implementing Regulation (EU) 2023/1162 on interoperability requirements and non-discriminatory and transparent procedures for access to metering and consumption data

To ensure the application of interoperability requirements, the Regulation establishes a reference model for metering and consumption data, which sets out the rules and procedures that Member States should apply to enable interoperability. It lists the electricity market participants that are subject to this act, as well as the roles and responsibilities assigned to them individually or jointly.

This Regulation applies to metering and consumption data in the form of validated historical metering and consumption data and non-validated near-real time metering and consumption data. It lays down rules enabling final customers in the retail electricity market and eligible parties to access this data, in a timely, simple and secure manner.

Moreover, it ensures that suppliers and service providers have transparent and seamless access to final customers' data, in a manner that the data is easy for them to understand and use, provided that customers have given the required permission. This specific authorisation procedure could be linked to a contractual agreement, or to an explicit clause within the contractual agreement with the eligible party. This way, interoperability is ensured in a manner that respects consumer rights over their data, and market participants have a shared understanding of the type of data and workflows that are required for specific services and processes. Customers can be required to give permission to suppliers or other market participants such as aggregators as part of their contractual agreements. Where a customer terminates their contract with a supplier or other market participant, the supplier or market participant should continue to have access to the metering data necessary for billing or balancing purposes.

Member States may require certain metering data to be shared for legitimate public purposes, for instance with environmental or statistical authorities as well as with system operators or other market participants.

Projects of Common Interest and Projects of Mutual Interest

On 28 November 2023, the European Commission adopted the first list of the Projects of Common Interest (PCIs) and of projects of mutual interest (PMIs) on the basis of revised Regulation (EU) 2022/869 of the European Parliament and of the Council of 30 May 2022 on guidelines for trans-European energy infrastructure, which ends support for fossil fuel infrastructure and focuses instead on the cross-border energy infrastructure of the future. The new list follows five lists of PCIs adopted, every two years, since 2013.

The list includes 166 projects in total. In terms of PCIs, the list features 85 electricity projects, including 12 related to storage, 5 smart grids projects and 12 offshore infrastructure projects. For the first time, 65 hydrogen and electrolyser projects and 14 CO2 network projects are also included. It also includes 10 PMIs which include electricity interconnections with the United Kingdom, the Western Balkans, as well as North African countries.

Half of the 166 projects on the PCI/PMI list focus on better interconnected modern power networks and new energy storage facilities, which are essential for integrating renewables, for reaching our decarbonisation objectives and improving EU market integration.

All PCI and PMI projects were subject to a mandatory sustainability assessment, making sure that they contribute significantly to the integration of renewable energy into the grid or the reduction of greenhouse gas emissions. In addition, during the project implementation, project promoters will have to report on their compliance with environmental legislation and demonstrate that projects do no significant harm the environment.

Following are the projects that concern Cyprus and are included in 1st PCI list:

- Cluster Israel – Cyprus – Greece (currently known as “EUROASIA Interconnector”) The cluster includes the following PCIs:
    - Electrical Interconnection between Hadera (IL) and Kofinou (CY); and
    - Electrical Interconnection between Kofinou (CY) and Korakia, Crete (EL)
- Cluster of natural gas infrastructure and related equipment for the transmission of new gas resources from the offshore deposits of the Eastern Mediterranean, which includes the following PCI:
    - Pipeline from offshore Cyprus to Greece mainland via Crete (currently known as “EastMed Pipeline”); and
- Development of gas infrastructure in Cyprus (currently known as “Cyprus Gas2EU”).

In addition to the PCIs that are included in the 5th Union list, the implementation of the 2000MW electricity interconnection between Egypt and Cyprus is currently in progress. The project provides for the implementation of the Egypt-Cyprus electricity interconnection, using high voltage direct current cables (HVDC) with a transmission capacity of 2000MW. In addition, the project provides that the interconnection will be completed in two phases, with the first phase providing a capacity of 1000MW.

International activities

Agency for the Cooperation of Energy Regulators (ACER)

The Agency for the Cooperation of Energy Regulators (ACER) (https://www.acer.europa.eu) is a community body with legal personality and was established under the provisions of Regulation 713/2009 of the European Parliament and of the Council of 13th July 2009 establishing an Agency for the Cooperation of Energy Regulators. ACER started to operate officially in March 2011 and is headquartered in Ljubljana, Slovenia.

The main objective of the Agency is to support and coordinate the actions of national regulatory authorities at the EU level, ensure the completion of the market for electricity and natural gas, and to align the regulatory frameworks within the framework of EU energy policy objectives.

In addition, it advises the European Commission to take binding decisions for the Member States. It intervenes with suggestions for resolving disputes between regulators and it contributes to the creation of common pan-European codes (Network Codes).

ACER plays a key role in developing a European level network and market rules aimed at the enhancement of the competition. The agency coordinates regional and cross-regional initiatives that contribute to the integration of the market. ACER monitors the work of the European Network of Transmission System Operators (ENTSO) as well as the overall operation of the markets for natural gas and electricity and in particular the operation of the wholesale energy trade.

The agency consists of the Administrative Board, whose members are appointed by European institutions, the Board of Regulators, which is composed by senior representatives of the regulatory authorities of the EU and the Board of Appeal, which is affiliated with the agency but it is independent of its administrative and regulatory structures and before which appeals against ACER decisions are brought to be heard.

Cyprus is represented in the Board of Regulators by the Chairman and the Vice-Chairman of CERA and/or authorised staff of the sector of International Affairs and Energy Policy. In 2023, CERA participated in the ACER Board of Regulators' meetings Nos 113 to 120, which were held either online or in person.

Besides the Board of Regulator's meetings, CERA participated in various established working groups dealing with the application of the Regulation on wholesale energy market integrity and transparency, electricity and gas infrastructure, cross-border issues, energy market operation, management of COVID-19, consumers and so on.

Council of European Energy Regulators (CEER)

The Council of European Energy Regulators (CEER) (http://www.ceer.eu/) was established in 2000 and was the first autonomous community of independent energy regulators in Europe. CEER is a non-profit organisation based in Brussels.

The main objective of CEER is to promote an integrated, competitive, efficient and sustainable internal market in natural gas and electricity in Europe. Through CEER national regulators have the opportunity to work together and exchange information and best practices. In addition, CEER provides assistance to the national regulatory authorities of Europe and represents their voice in the European Union as well as internationally.

CEER works very closely with ACER. CEER is also a member of the International Confederation of Energy Regulators (ICER), which brings together similar organisations from around the world, including NARUC (America), ERRA (Central / Eastern Europe) and MEDREG (Mediterranean region).

The Council consists of the General Assembly and the Board of Directors. CEER organises its work through working groups, which can be supported by task forces and work streams that are in charge of specific matters. CERA participated in various established working groups dealing with electricity and gas infrastructure, cross-border issues, energy market operation, consumers and so on.

The Council meets regularly, usually in Brussels. Members of CERA and/or authorised staff of the International Affairs and Energy Policy Division represent Cyprus in these meetings.

In 2023, CERA participated in CEER General Assemblies Nos 176-183, which were held either online or in person.

CERA also participated in various established CEER working groups dealing with electricity and gas infrastructure, cross-border issues, energy market operation, consumers and so on.

Association of Mediterranean Energy Regulators (MEDREG)

The Association of Mediterranean Energy Regulators (MEDREG) (http://medreg-regulators.org/) was established in 2007, under Italian law and is headquartered in Milan. It currently consists of 27 Energy Regulators from 22 countries, (Albania (ERE), Algeria (CREG and ARH), Bosnia-Herzegovina (SERC), Croatia (HERA), Cyprus (CERA), Egypt (EgyptEra and GASREG), France (CRE), Greece (RAE), Israel (PUA and NGA), Italy (AEEGSI), Jordan (EMRC and MEMR), Lebanon (LCEC), Libya (ME), Malta (REWS), Montenegro (REGAGEN), Morocco (ANRE and MEM), Palestine (PERC), Portugal (ERSE), Slovenia (AGEN-RS), Spain (CNMC), Tunisia (MIT) and Turkey (EMRA)).

MEDREG promotes a transparent, stable and harmonised regulatory framework in the Mediterranean region, with an emphasis on market integration and infrastructure investment, as well as consumer protection and stakeholder cooperation in the Mediterranean basin, with a view to implementing the conditions to create a future Mediterranean Energy Community (bottom-up approach).

MEDREG is actively supported by the European Union and CEER. The General Assembly of MEDREG meets twice a year.

In 2023, CERA participated in MEDREG General Assemblies Nos 35 and 36.

CERA also participates in established working groups dealing with institutional issues, electricity, gas, renewable energy sources, as well as energy efficiency and consumers. In the period 2023-2024 CERA is Vice-President of the Electricity working group (ELE WG)

Regulatory Authority Advisory Committee (RAAC)
East Mediterranean Gas Forum (EMGF)

In 2018, Egypt introduced an Initiative to establish the East Mediterranean Gas Forum as a platform for structured policy dialogue on natural gas, leading to the development of a sustainable regional gas market that could unlock the full gas resource potential in the East Mediterranean region.

The EMGF has progressively evolved into the most renowned Energy Forum in the Mediterranean region. In a very short period, it has become a diplomatic discovery and a transformational project in the region. The significance of the EMGF goes beyond energy. It is a pivotal player of regional peace, and a vital force for economic growth and prosperity.

The EMGF recognises the crucial role of the Energy Regulatory Authorities in achieving its objectives; thus it promoted the formation of the Regulatory Authority Advisory Committee (“RAAC”), which enables the participation of the respective Energy Regulatory Authorities of each EMGF member to share their experience by contributing to the harmonisation of regulations and policies of gas trade and supply on the regional level.

CERA has been actively participating as a member of RAAC since its establishment. On 2 March 2023, CERA became Vice President of RAAC for one year, whereupon it laid down the procedures for the seamless operation of RAAC and proceeded to finalise a roadmap of actions and a work programme on the basis of the objectives set at an EMGF level.

On 17 May 2023, the 4th RAAC meeting took place at the CERA premises in Nicosia.

Energy Community (European Community)

Hhe Energy Community (European Community) (https://www.energy-community.org) was established by the International Treaty signed in Athens in 2005. The Treaty establishing the Energy Community unites the European Union and the countries of the region of Southeastern Europe and the Black Sea.

Main objectives of the Energy Community are to attract investments in energy generation and networks, to ensure a stable and sustainable energy supply, to contribute to the integration of the energy market, to enhance security of supply, to promote environmental protection and to strengthen the regional competition.

The Energy Community consists of nine contracting parties (Albania, Bosnia-Herzegovina, Kosovo, North Macedonia, Georgia, Moldova, Montenegro, Serbia and Ukraine), three observers (Armenia, Norway and Turkey) and nineteen participating EU Member States.

Energy Community Regulatory Board (ECRB)

The Energy Community Regulatory Board (ECRB) (https://www.energy-community.org) is the coordination platform for the exchange of knowledge and the development of best practices for the regulated electricity and natural gas markets in the Energy Community. The mission of ECRB is to facilitate the development of competitive and integrated electricity and natural gas markets for the benefit of the Energy Community, the businesses and the citizens.

According to the Treaty, the Regulatory Board:

- advises the Council of Ministers or the Permanent High-Level Group on the details of legal, technical and regulatory rules,
- issues recommendations on cross-border disputes between two or more regulatory authorities, at the request of any of them,
- takes measures, if authorised accordingly by the Council of Ministers,
- adopts procedural acts.

ECRB is composed of representatives of the regulatory authorities of the eight contracting parties (Albania (ERE), Bosnia-Herzegovina (SERC), Former Yugoslav Republic of Macedonia (ERC), Montenegro (REGAGEN), Serbia (AERS), Moldavia (ANRE), Ukraine (NEURC) and Kosovo (ERO)). ECRB also includes ten representatives of non-voting representatives of regulating authorities, the so-called participants (Austria (E-Control), Bulgaria (SEWRC), Croatia (HERA), Cyprus (CERA), Germany (BNetzA), Greece (RAE), Hungary (MEKH), Italy (AEEGSI), Romania (ANRE) and one ACER representative). In addition, the observer status has been assigned to two regulatory authorities (Georgia (GNERC) and Turkey (EMRA)).

European Commission Forum

The European Commission established in 1998 the European Electricity Regulatory Forum (Florence Forum) in order to create a common electricity market within the EU internal market. One year later, the European Natural Gas Regulatory Forum (Madrid Forum), equivalent of the Florence Forum for the natural gas sector, was established. The European Regulatory Forums are convoked once or twice a year with the participation of the Commission, the Member States, the members of the European Parliament, representatives of energy regulators and transmission system operators, representatives of organisations of traders, consumers, transmission system users and organised energy markets, and have now become informal Community advisory bodies and areas for highlighting internal market problems and promoting solutions to them. The European Regulatory Forums in Florence and Madrid were the basis for the establishment of the European Energy Forum of Citizens (London Forum), which provides support to the consumers for energy market problems and seeks solutions. They were also the basis for the establishment of the European Sustainable Energy Regulatory Forum (Bucharest Forum), which deals with the promotion of sustainable energy.

CERA regularly attends the European Energy Forums and participates in them.

Other international activities

In the reporting year, CERA participated with presentations in the following international activities:

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on “H2 Strategies and H2 Competitiveness”, in the context of the “Hydrogen and Grenn Gases Forum”, on 23 June 2023, in Athens.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on “The new situation for a secure and sustainable future”, in the context of the “8th Energy Transition Symposium” organised by the Hellenic Association for Energy Economics (HAEE) with the theme “Rethinking energy”, on 29 September 2023, in Athens.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, in the first section “Energy security in an internationally unstable environment” of the conference with the theme “Energy Security and Green Growth», organised by the Greek Ministry of the Environment and Energy on 27-29 November 2023, in Athens.

Local activities

In the year under review, CERA participated, by making presentations, in the following local events:

- Greeting by Dr Andreas Poullikkas, Chairman of CERA, at the presentation of the book “25+1 Questions on the Energy Crisis” by Orestis Omran, at the Leventis Gallery, on 17 February 2023, in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on “Tackling the energy and climate crises: striving for a greener Europe with energy security”, in the context of the “2nd Conference of the University of Cyprus Model United Nations (UCYMUN 2023)” at the University of Cyprus, on 1 April 2023, in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on “Regulatory Challenges to Energy Transition», in the context of the 2nd Conference on Energy with the theme “Green Transition and

Entrepreneurship – Opportunities and Challenges Towards a Sustainable Economy", on 7 April 2023, at the International Exhibition in Cyprus, Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, in the context of the event organised by the Frederick University with the theme "Energy Transition: International Good Practices and the Cypriot Energy Sector", in the "Tassos Papadopoulos" lecture hall of Frederick University, on 15 May 2023, in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on "Electricity Market: What lies ahead", in the context of the event "CyprusTalksGreen5 - Charging ahead: The Role of Transportation and Storage in a Clean Energy Future", on 29 June 2023, at the Royal Hall in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, in the context of the "Green Hydrogen Workshop", organised by Hydrogen Europe, the Cyprus Employers and Industrialists Federation and the Cyprus Hydrogen Association, on 15 September 2023, at the Hilton Hotel in Nicosia.

- Opening speech by Dr Andreas Poullikkas, Chairman of CERA, in the context of the conference with the theme "Cyprus Energy Vision 2030 – Conference and Discussion", organised by the Cyprus Scientific and Technical Chamber and the Cyprus University of Technology, on 30 September 2023, at the premises of the Cyprus University of Technology in Limassol.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on "Energy Transition – Regulatory Challenges to the Completion of the Cyprus Electricity Market" in the context of the seminar with the theme "Electricity Market and Impact on Citizens", organised by the Committee on the Environment, Energy and Investment Plans Cyprus Bar Association, on 4 October 2023, at the Cleopatra Hotel in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, in the context of the "7th International Conference on Renewable Energy Sources and Energy Efficiency", organised by the Cyprus Chamber of Commerce and Industry, the Ministry of Energy, Commerce and Industry and the International Renewable Energy Agency (IRENA), on 12-14 October 2023, at the Hilton Hotel in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, in the context of the "11th Energy Symposium", organised by the European Energy Institute and the company Financial Media Way (FMW), on 31 October 2023, at the Royal Hall in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on "Energy Transition: Regulatory Challenges in the Cyprus Energy Sector", in the context of the conference "Increasing Energy Costs and Ways to Address It", organised by the Democratic Party, the Employers and Industrialists Federation and the Cyprus Hydrogen Association, on 25 November 2023, in Nicosia.

- Speech by Dr Andreas Poullikkas, Chairman of CERA, on "Creating the Regulatory Framework to Grow the Region's Resource Development", in the context of the "Eastern Mediterranean Energy Conference and Exhibition (EMC)", on 28 November 2023, in Limassol.

Research and Development

Co-financed and other projects in which CERA participates

Intelligent light sensing for next generation smart grids (LightSense)

The LightSense project is part of the Research and Innovation Foundation RESTART 2016-2020 programmes for research, technological development and innovation.

The primary goal of the project is to holistically address the open challenges related to the availability, fault tolerance and security of energy distribution networks in Cyprus, with an emphasis on timely fault prevention and intrusion detection. In particular, it aims at:

- utilising the capabilities of the optical measurement of the optical fibres that are installed in the network. The aim is to monitor continuously, remotely and automatically the condition and the integrity of the network infrastructure of the main energy supplier in Cyprus.
- Extracting the critical information, such as the exact location of faults, including hotspots, and provision of predictions on impending occurrence and fault detection, in order to ensure the reliability and uninterrupted supply of energy.
- addressing the lack of network security and reliability policies that are adapted to real network data, in the context of active monitoring of future smart networks at an operational level.
- continuous and smart monitoring of the internet infrastructure to prevent unauthorised access or sabotage.

In 2023, CERA was an active participant in all “Living Labs” workshops and the deliverables of the LightSense project consortium. CERA was the coordinator for deliverable No 7.4 “Policy Considerations”, aiming to assess national and international fibre optics standards, to analyse the laws and regulations on the use of fibre optics and to submit proposals based on the findings of the project on mainstreaming distributed fibre optics detection and critical infrastructure security enhancement policies.

The LightSense programme was completed in June 2023 and is currently being evaluated by the Cyprus Research and Innovation Foundation.

Modernising the distribution grid for enabling high penetration of photovoltaic electricity through advanced data analytic operational observability and management (ELECTRA)

The ELECTRA project is part of the Research and Innovation Foundation RESTART 2016-2020 programmes for research, technological development and innovation.

This project concerns the creation of a strong research network, which will actively participate in the goal of applied research and specifically ensure the optimal integration of photovoltaic systems in the distribution network, securing high levels of penetration through active participation of all the key components of the quadruple propeller (research, companies, end-user representatives, policy makers).

The integrated project is a project of large-scale and multidisciplinary collaboration that primarily addresses the timely challenge of reducing carbon in a holistic approach, allowing higher shares of photovoltaic systems in the distribution network. Coordinated and integrated project activities for the development and validation of an innovative adaptive multi-service distribution management architecture that enables the efficient, resilient and secure operation of future distribution systems with high distributed energy penetration.

Finally, the proposed project will try to enhance the research activities for the actual release of the real potential of photovoltaic systems and their high penetration into the energy mix.

In 2023, CERA was an active participant in all meetings and deliverables of the ELECTRA project consortium. CERA drew up the deliverables of package 8 on the determination of the electricity market rules and the determination of the relevant current policies in Europe and Cyprus on emerging PV technologies and the requirements for alignment of interoperability.

The ELECTRA programme was completed in June 2023 and is currently being evaluated by the Research and Innovation Foundation.

Transmission Cost Benchmarking project 2021 (TCB21)

TCB21 is a cost benchmarking project that is performed by CEER, and its consultant Sumiscid and its main objective is the performance of a stable and regular process for performance assessment of energy transmission system operators (TSOs). The project covers both electricity and natural gas transmission and involves in total 46 TSOs from 16 countries in Europe. The project is extremely ambitious in an effort to mobilise national regulatory authorities, TSOs in a joint effort to develop robust and comprehensive data and models. During the project, TSOs are requested to provide all the data pertaining to their capital flows and costs for assets, which the Regulatory Authorities will later assess. The first cost benchmarking project was performed in 2018 (TCB18), while the project is performed every three years.

In 2023, CERA participated in this CEER initiative with an active presence in all the project's meetings. The meetings were aimed at the National Regulatory Authorities and Transmission System Operators' contribution towards the optimal configuration and development of an efficient cost benchmarking model. The project is expected to be completed in the first half of 2024.

DG REFORM/SC2021/123 "Revision of the Cyprus Energy and Climate Plan"

With respect to the revision of the national Energy and Climate Plan which was submitted in 2020, Cyprus requested technical support from the DG REFORM, based on Regulation (EU) 2021/240 on establishing a Technical Support Instrument ("TSI Regulation").

The objective of this services contract is to contribute in institutional, administrative and structural reforms that support development in Cyprus by providing guidelines to the two competent authorities, namely CERA and the Ministry of Energy, Commerce and Industry (MECI). These reforms focus on the modernisation and digitalisation of existing network infrastructures and the promotion of RES.

The provision of the Technical Support began in March 2022 and since then CERA has actively participated in all the meetings by providing support on technical and regulatory issues for completion of the Deliverables. The project is expected to be completed in the first half of 2024.

Submission of Research Proposals in 2023

In 2023, CERA was actively involved as a partner in the authoring and submission of a research proposal entitled "Peer-to-Peer Green Energy Sharing Platform for Cold Ironing", or "P2P-Ironing", which was submitted on 20 October 2023 in the context of the RIF research programme entitled "Co-Develop (AG-SH-HE) - COOPERATIVE DEVELOPMENT (AG-SH-HE) /0823".

The "P2P-Ironing" proposal aspires to facilitate a green solution for the energy needs of merchant ships while moored (cold Ironing), as defined by European directives and international laws, thus promoting the decarbonisation of ships. The project proposes the design, development and evaluation of an interactive energy system based on blockchain technology to support cold Ironing. An automated market will be set up for energy trade and exchange between the parties involved: energy producers, aggregators and consumers (merchant ships).

This proposal obtained a score of 13.54/15.00 and was included in eligible proposals to be launched in 2024.

4 ELECTRICITY MARKET

Introduction

CERA is the competent authority for supervising the electricity market and granting licences to persons engaging in the generation, transmission, distribution, and supply of electricity.

The activities of generation and supply of electricity concern competitive activities, meaning that the interested parties are given the opportunity, after obtaining the relevant licences, to be involved and participate on a competitive basis in the electricity market and according to the regulations set by CERA, as independent producers and/or as independent electricity suppliers.

Although the activities of generation and supply belong to the competitive part of the electricity market, the EAC as producer and supplier, is regulated by CERA, because it occupies at this stage a dominant position in the market. More specifically, CERA controls and regulates its economic parameters, so as to achieve a healthy environment, allowing new independent producers and suppliers to enter in the market and compete on equal terms.

The activities of transmission and distribution of electricity are inherently monopolistic activities. These activities concern the operation and ownership of the transmission and distribution system. The transmission and distribution systems are overhead lines and/or underground cables for the transmission and distribution of electricity from power plants (power plants from conventional generating stations and RES stations) to the end consumers for consumption.

The ownership of the transmission and distribution systems belongs to EAC, which obtained the relevant licences from CERA as Owner of the Transmission System (OTS) and Owner of the Distribution System (ODS), respectively.

The transmission system operation belongs to TSOC, following the granting of the relevant licence by CERA, which is a legal entity governed by public law. The operation of the distribution system falls under the responsibility of the DSO.

In the period under examination, Cyprus is in a transitory regulation of the energy market, where the conclusion of bilateral contracts between independent producers and independent suppliers in allowed, in which case clearing takes place on a monthly basis.

To ensure full transparency and information for all interested parties, CERA issues relevant communications on the progress of the works relating to the competitive electricity market. In the reporting year, CERA issued Communication “Progress of the works for the operation of the competitive electricity market in Cyprus” of 22 December 2023, in which it points out, inter alia, the pending issues to be resolved in order to allow for the transition to a full-blown operation of the electricity market.

Measure of market concentration – Herfindahl – Hirschman Index

In 2023, in addition to the regulated supplier "EAC-Supply", a total of eight (8) suppliers operated in the electricity supply sector.

As a measure of supplier concentration in the wholesale and retail electricity market, the Herfindahl-Hirschman Index (HHI) was used, which is calculated by taking the sum of the squared market shares of all the generation and supply undertakings, respectively. For a result of:

- HHI = 0 - 1500, is considered a competitive marketplace,
- HHI = 1500 - 2500, is considered moderately competitive (a partially concentrated market),
- HHI > 2500, cannot be considered competitive (highly concentrated marketplace)
- HHI = 10000, is considered a monopoly, i.e., with only one participant in the marketplace.

EAC is currently, in effect, the largest and only vertically integrated electricity corporation, a fact which:

- Classifies the EAC-Generation activity in a position of strength in the wholesale electricity market which is substantiated by historical data of the HHI Index (Figure 3). It is concluded that the wholesale electricity market of Cyprus is classified as a highly concentrated marketplace and in particular without competition and this is due to the position of strength of EAC's generation activity.
- Classifies the EAC-Supply activity in a position of strength in the retail electricity market which is substantiated by historical data of the HHI Index (Figure 4). It is concluded that the retail electricity market of Cyprus is classified as a highly concentrated marketplace and in particular without competition and this is due to the position of strength of EAC's Supply activity.

Based on the above, it is ascertained that due to the size and position of the EAC, there is no effective competition in the wholesale and retail markets.

Figure 3 *- Concentration of electricity market (wholesale market)*

Figure 4 *- Concentration of electricity market (retail market)*

Figures 5 and 6 below present the HHI values in other Member States. As observed in Figure 5, in the case of the household electricity consumer market, six (6) out of eighteen (18) Member States, which sent data for 2021, recorded low concentration levels (HHI<2000) in 2021, with the majority presenting high concentration levels (HHI>2000). With respect to electricity market, Member States recorded a drop in HHI levels in 2021 compared to previous years. Lithuania recorded a significant reduction from HHI=9,950 in 2020 to 8,452 in 2021. In addition, Estonia (-525), Greece (-520), Italy (-343), France (-300), and Portugal (-230) also recorded significantly reduced concentration levels in 2021. Norway, Sweden and Finland recorded the best performance in 2021.

HHI values are less concentrated in non-household consumer markets. This may be due to the fact that non-household consumers are more active regarding their energy consumption and thus more open to new suppliers. As observed in Figure 6, in non-household electricity consumer market, eleven (11) out of the nineteen (19) Member States that sent data for 2021, recorded low concentration levels (HHI<2000) in 2021. This falls in line with the figures of previous years. In the last five years, Greece and France recorded a remarkable reduction of -4,911 and -1,400 respectively. Romania, Norway, Finland, Great Britain and Italy were the countries that recorded the best performance in 2021.

It is noted that pursuant to Article 66 (Derogations) of Directive (EU) 2019/944, Article 4 “Free choice of supplier” shall not apply to Malta until 5 July 2027 and this period may be extended for a further additional period, not exceeding eight years.

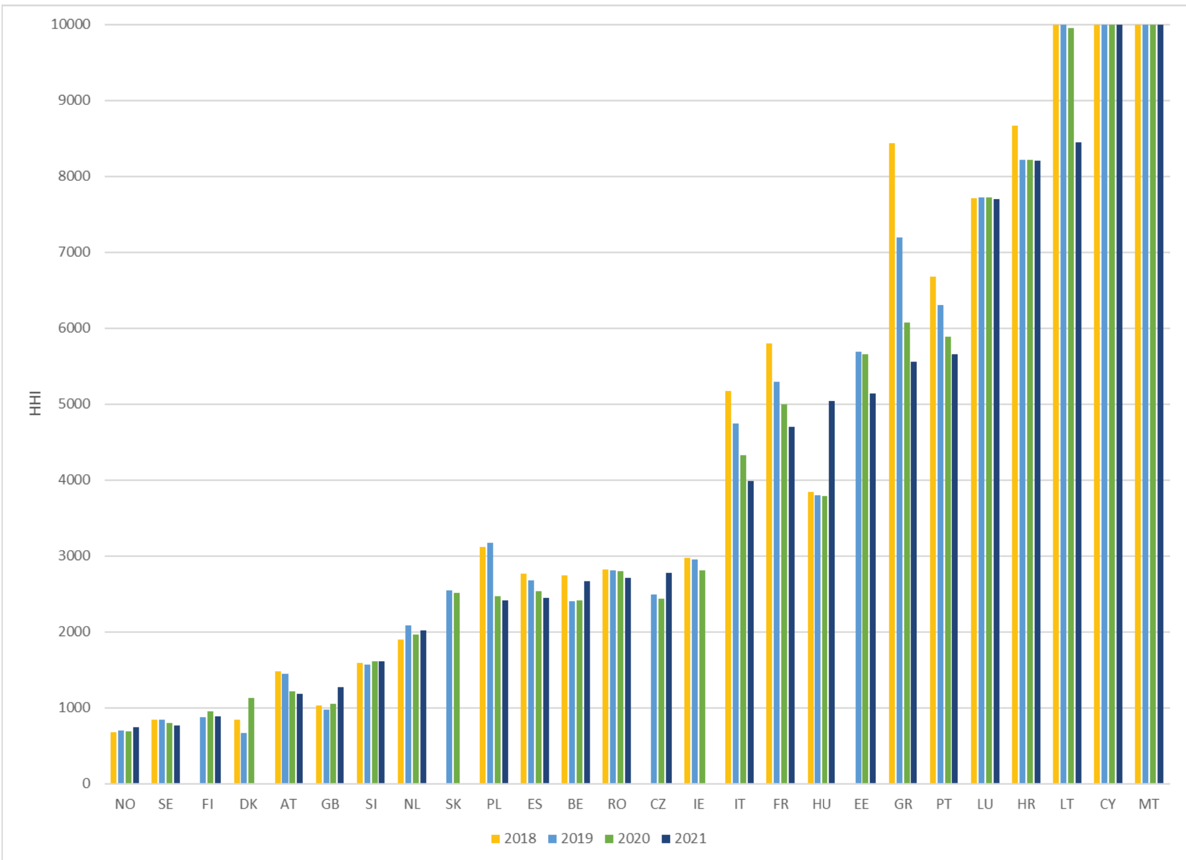


Figure 5 *- Herfindahl-Hirschman Index (HHI) of the household electricity consumer market in Member States for the period 2018-2021*[1]

1 ACER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2021 - Energy Retail Markets and Consumer Protection Volume

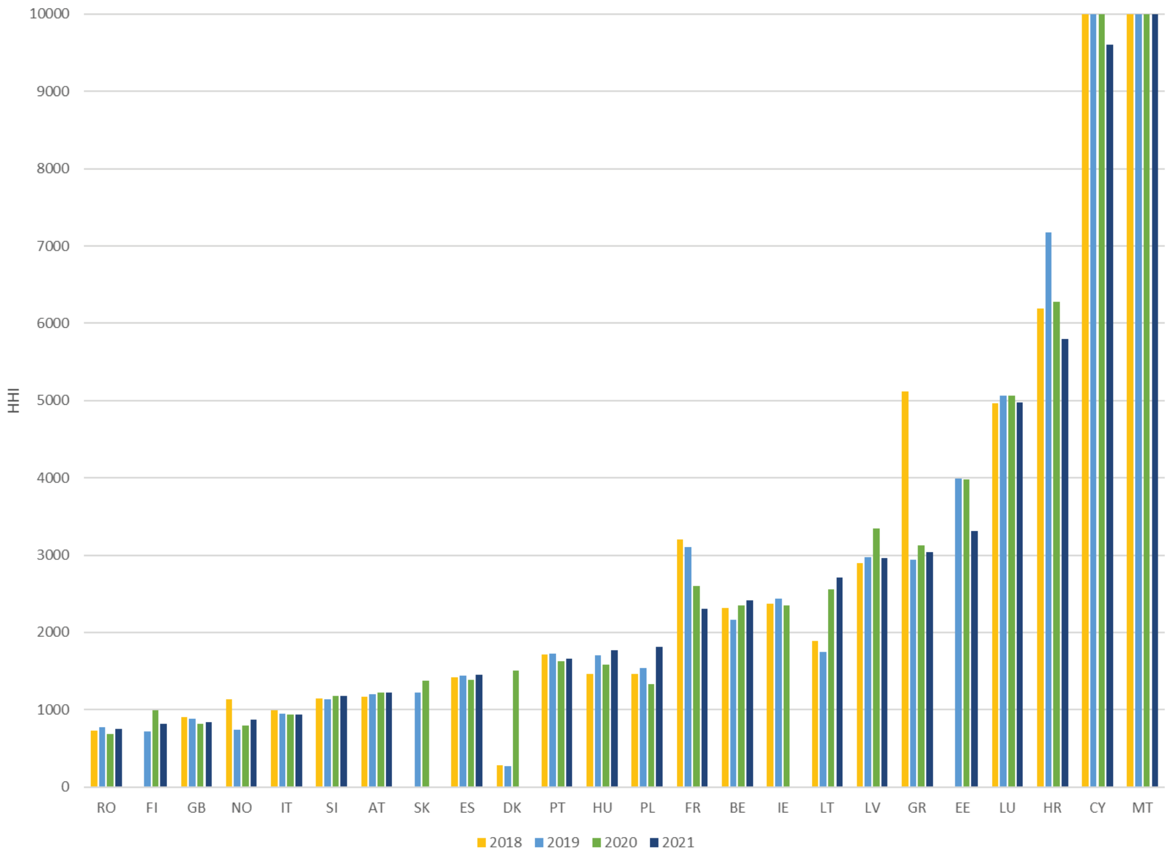


Figure 6 *- Herfindahl-Hirschman Index (HHI) of the non-household electricity consumer market in Member States for the period 2018-2021*[2]

Granting of a Licence, General Licence, and Exemption

The licensing of activities related to electricity is regulated by the Laws Regulating the Electricity Market of 2021 to 2023, the Regulations Regulating the Electricity Market (Licensing), Regulatory Decisions 02/2021 – KPD 523/2021 and 01/2023 – KPD 01/2023 on the regulatory framework for granting a general licence, and CERA Decisions 373/2021, 45/2022, 279/2022 and 110/2023.

The licences issued by CERA pursuant to Article 26 of the Laws Regulating the Electricity Market of 2021 to 2023 concern the following activities:

- Construction and operation of a power plant with conventional fuels for commercial purposes.
- Construction and operation of a power plant with conventional fuels for self-consumption and reserve purposes with a generating capacity greater than 1MW.
- Construction and operation of a power plant using RES with a generating capacity of more than 8MW.
- Supply of electricity to final customers
- Supply of electricity to wholesale customers.

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- Execution of the duties of the Balance Responsible Party.
- Execution of the duties of the Aggregator.
- Installation and/or operation of an electricity storage facility, with the exception of self-consumption electricity storage facilities.
- Execution of responsibilities of TSOC.
- Execution of responsibilities of DSO.
- Execution of responsibilities of the Owner of Transmission System (OTS).
- Execution of responsibilities of the Owner of the Distribution System (ODS).
- Execution of responsibilities of the Market Operator.
- Execution of duties of the Owner of Interconnector Line.
- Execution of duties of the Operator of Interconnector Line.
- Construction of direct line.

Exemptions from the holding of licences that are issued by CERA, in accordance with subparagraph (4) of Article 27 of Laws Regulating the Electricity Market of 2021 to 2023 concern the following activities:

- Construction and operation of a power plant using RES with a generating capacity of more than 50kW up to 8MW.
- Construction and operation of a power plant with conventional fuels for self-consumption and reserve purposes with a generating capacity of 30kW up to 1MW.

The general licences issued by CERA, in accordance with Article 27(1) of the Laws Regulating the Electricity Market of 2021 to 2023, concern the following activities:

- Generation of electricity from power plants that are not connected to the transmission system or distribution system.
- Generation of electricity from power plants with a maximum capacity of up to and including 20kW.
- Generation of electricity for self-consumption by systems with a capacity of up to and including 30kW.
- Generation of electricity from RES power plants with a capacity of up to and including 50kW.
- Generation of electricity from small-scale high-efficiency cogeneration plants in accordance with the provisions of the Laws on the Promotion of Energy Efficiency in Heating and Cooling and Heat and Power Cogeneration.

As of 3 February 2023 and in accordance with Regulatory Decision 01/2023 - KDP 22/2023 on the regulatory framework for granting a general licence, electricity generation by photovoltaic systems with a capacity of more than 50kW, installed on the shell of an existing building, was added to the activities for which a general license is granted pursuant to Article 27 of the Laws Regulating the Electricity Market of 2021 to 2023.

nterconnection Line Owner Licence and Interconnection Line Operator Licence

In 2023, an Interconnection Line Owner Licence and an Interconnection Line Operator Licence were granted for the electrical interconnection between Cyprus (Kofinou) and Greece (Crete).

Electricity Supply Licence to final customers

In 2023, five (5) applications were submitted for issuing an Electricity Supply Licence to final customers for the Electricity Market Transitory Regulation validity period, five (5) licences were granted for the Electricity Market Transitory Regulation validity period and one (1) application was rejected.

With respect to the Electricity Market Transitory Regulation validity period, CERA has granted a total of thirty (30) licences to supply electricity to final customers.

Licence for the Construction and Operation of power plants for commercial use

Conventional units

In 2023, four (4) applications were submitted for a Construction Licence for an electricity generation plant with conventional fuel for commercial purposes, with a total capacity of 96Mwe and two (2) applications were rejected.

Pyrolysis oil

In 2023, one (1) application was submitted for a Construction Licence for a power plant using pyrolysis oil.

Renewable energy sources (RES)

Photovoltaic systems

In 2023, eight (8) applications were submitted for Construction Licence for photovoltaic power plants intended for commercial purposes with a total capacity of 128.5MWe, thirteen (13) licences were granted, with a total capacity of 365.4MWe and one (1) application was rejected.

Figure 7 below shows statistical data on the Construction and Operation Licences of power plants for commercial use that were granted by CERA from conventional units and RES units in the period from 2004 to 2023.

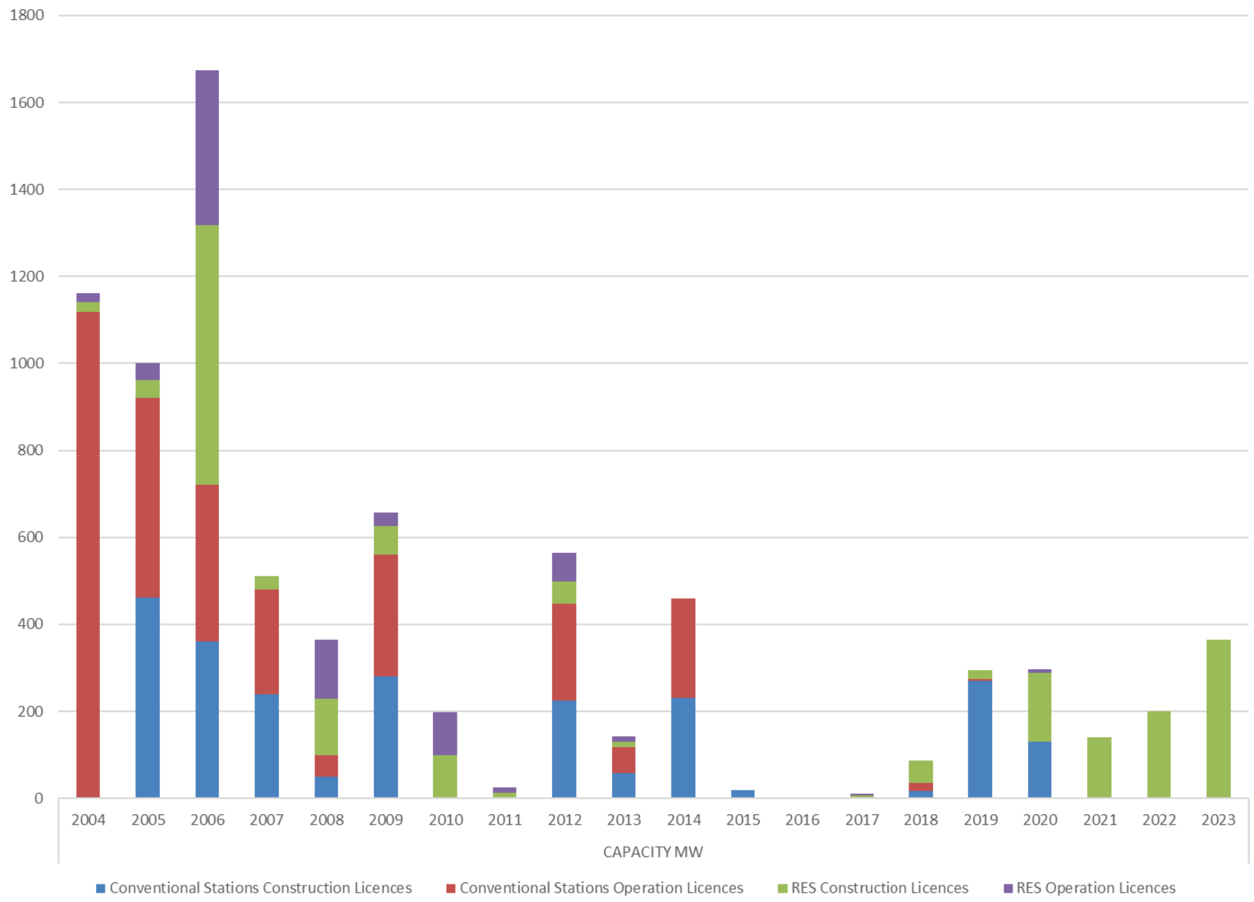


Figure 7 *- Construction and Operation Licences of power plants for commercial use granted in the period from 2004 to 2023*

Licence for the Construction and Operation of power plants for self-consumption

Conventional units for self-consumption

In 2023, two (2) applications were submitted for a Licence for the Construction and Operation of a power plant using conventional fuels intended for self-consumption, with a total installed capacity of 5,68Mwe and two (2) licences were granted, with a total installed capacity of 5,68MWe.

Energy Storage System Installation Licence

In 2023, thirteen (13) applications were submitted for Energy Storage System Installation Licence with a maximum output of 252MW and a storage capacity of 904MWh and eight (8) licences with a maximum output of 135MW and a storage capacity of 554MWh were granted.

General licence

In 2023, the following general licences for electricity generation were granted:

- Electricity generation stations from RES, photovoltaic systems for commercial purposes with an installed capacity of up to 0.05MWe, total installed capacity of 0.046MWe.
- Electricity generation stations from RES, i.e. photovoltaic systems installed on the shell of a building, intended for commercial purposes, with an installed capacity of more than 0.05MWe, with a total installed capacity of 4.58MWe.

- Electricity generation stations from RES, i.e. photovoltaic systems, intended for self-consumption, with an installed capacity of up to 0.05MWe, with a total installed capacity of 0.096MWe.

- Electricity generation stations from RES, i.e. photovoltaic systems installed on the shell of a building, intended for commercial purposes, with an installed capacity of more than 0.05MWe, with a total installed capacity of 70.25MWe.

- Electricity generation stations from RES, intended for self-consumption, after submitting a connection notification to the DSO, with an installed capacity of up to 0.05MWe, with a total installed capacity of 94.684MWe.

- Autonomous electricity generation stations from RES, i.e. photovoltaic systems, with a total installed capacity of 0.07MWe; and

- Electricity generation stations using conventional fuels, intended for self-consumption and reserve purposes, and autonomous self-generation systems with a total installed capacity of 11.82MWe.

Exemption from Licence for the Construction and Operation of a power plant for commercial purposes

Renewable energy sources

Photovoltaic systems

In 2023, two hundred fifty-two (252) exemptions from the obligation to obtain a licence to construct a power plant intended for commercial purposes, i.e. photovoltaic systems with an installed capacity of 702.48MWe and thirty-six (36) exemptions from the obligation to obtain a licence to operate a power plant intended for commercial purposes, i.e. photovoltaic systems with an installed capacity of 79.05MWe were granted.

Exemption Licence for the Construction and Operation of a power plant intended for self-consumption

Conventional plants for self-consumption and reserve purposes that are connected to the grid and autonomous self-generation power systems

In 2023, fifty-six (56) exemptions from the obligation to obtain a licence to construct and operate power plants using conventional fuels, intended for self-consumption and reserve purposes, with a total installed capacity of 15.2MWe were granted.

Renewable energy sources

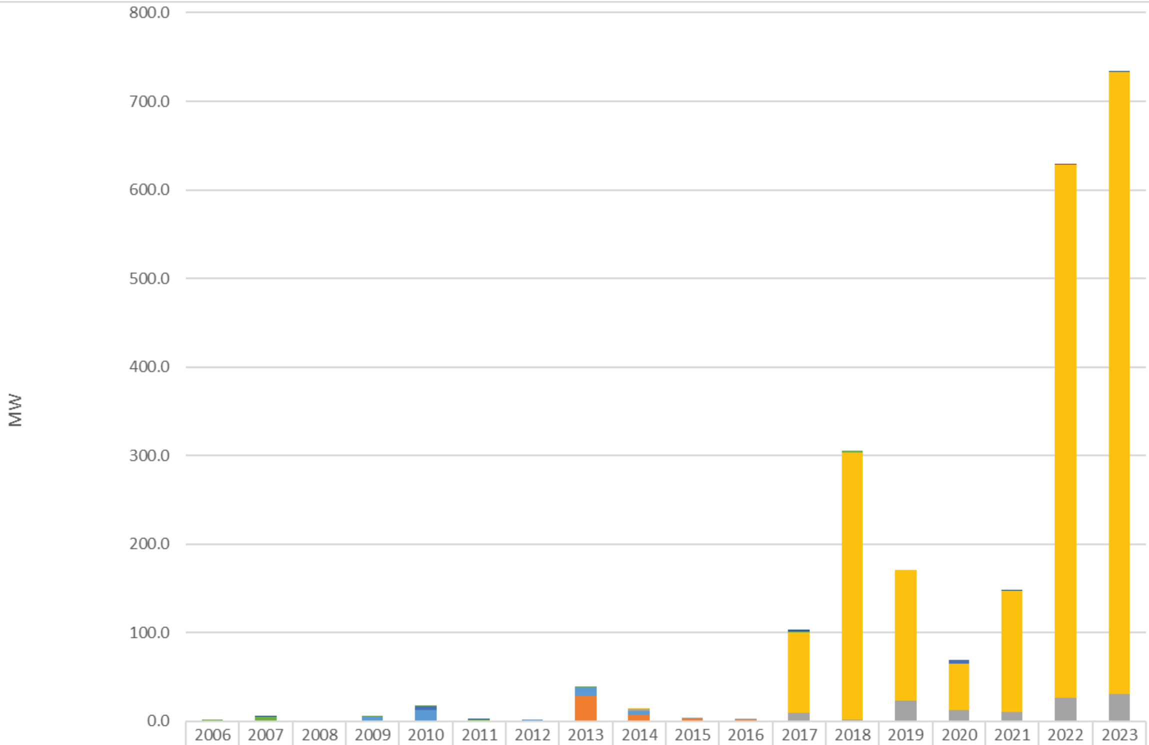
Photovoltaic systems

In 2023, ninety (90) exemptions from the obligation to obtain a licence to construct power plants intended for self-consumption, i.e. photovoltaic systems with an installed capacity of 30.25MWe, and twenty-six (26) exemptions from the obligation to obtain a licence to construct power plants intended for self-consumption, i.e. photovoltaic systems with an installed capacity of 7.5MWe, were granted.

Biomass/biogas systems

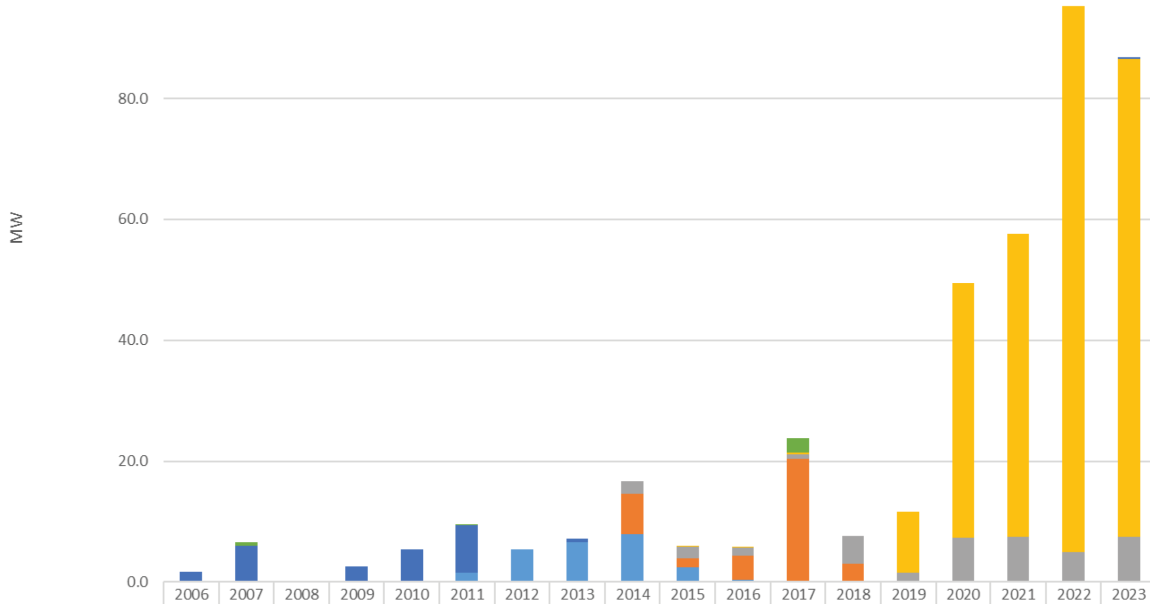
In 2023, three (3) exemptions from the obligation to obtain a licence to construct power plants intended for self-consumption, using biomass/biogas, with an installed capacity of 0.77MWe, and one (1) exemption from the obligation to obtain a licence to construct a power plant intended for self-consumption, using biomass/biogas, with an installed capacity of 0.3MWe were granted.

Figures 8 and 9 show the installed capacity of the RES power plants for which an exemption was granted from the obligation to obtain a construction licence and an operating licence, respectively, in the period from 2006 to 2023.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Solar thermal- Commercial use																	0.7	
Biomass-Self-production		0.6				0.1						2.4				0.2		0.77
Biomass/Biogass- Commercial use	1.8	5.3		0.8	0.5	1.4		0.6				1.0	2.3					
Wind- Commercial use					4.3										4.2			
PV-Commercial								0.1	0.9			90.9	301.5	147.9	52.1	136.5	602.0	702.48
PV-Self-production									2.1	2.0	0.4	9.6	1.6	23.3	12.5	10.6	26.0	30.25
PV-FIT				5.2	12.8	1.0	1.7	9.6	4.1									
PV-Public tender								28.3	7.8	2.5	1.5							

Figure 8 *- Capacity (MW) of RES power plants for which an exemption was granted from the obligation to obtain a construction licence in the period 2006-2023*



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Biosmass-Self-production		0.6				0.1						2.4						
Biomass/Biogass- Commercial use	1.8	5.9		2.5	5.5	7.9		0.6										0.3
PV-Commercial										0.1	0.1	0.3		10.1	42.2	50.2	90.3	79.05
PV-Self-production									2.2	1.9	1.5	0.8	4.6	1.5	7.3	7.4	4.9	7.5
PV-Public tender									6.6	1.5	4.0	20.4	3.0					
PV-FIT						1.6	5.5	6.6	8.0	2.5	0.3							

Figure 9 *- Capacity (MW) of RES power plants for which an exemption was granted from the obligation to obtain an operating licence in the period 2006-2023*

Installed capacity of electricity generation plants

Conventional units

The total installed capacity of conventional units intended for commercial purposes increased in 2023 to 1482.5MWe. The geographical distribution of the power plants for commercial use is shown in Figure 10.

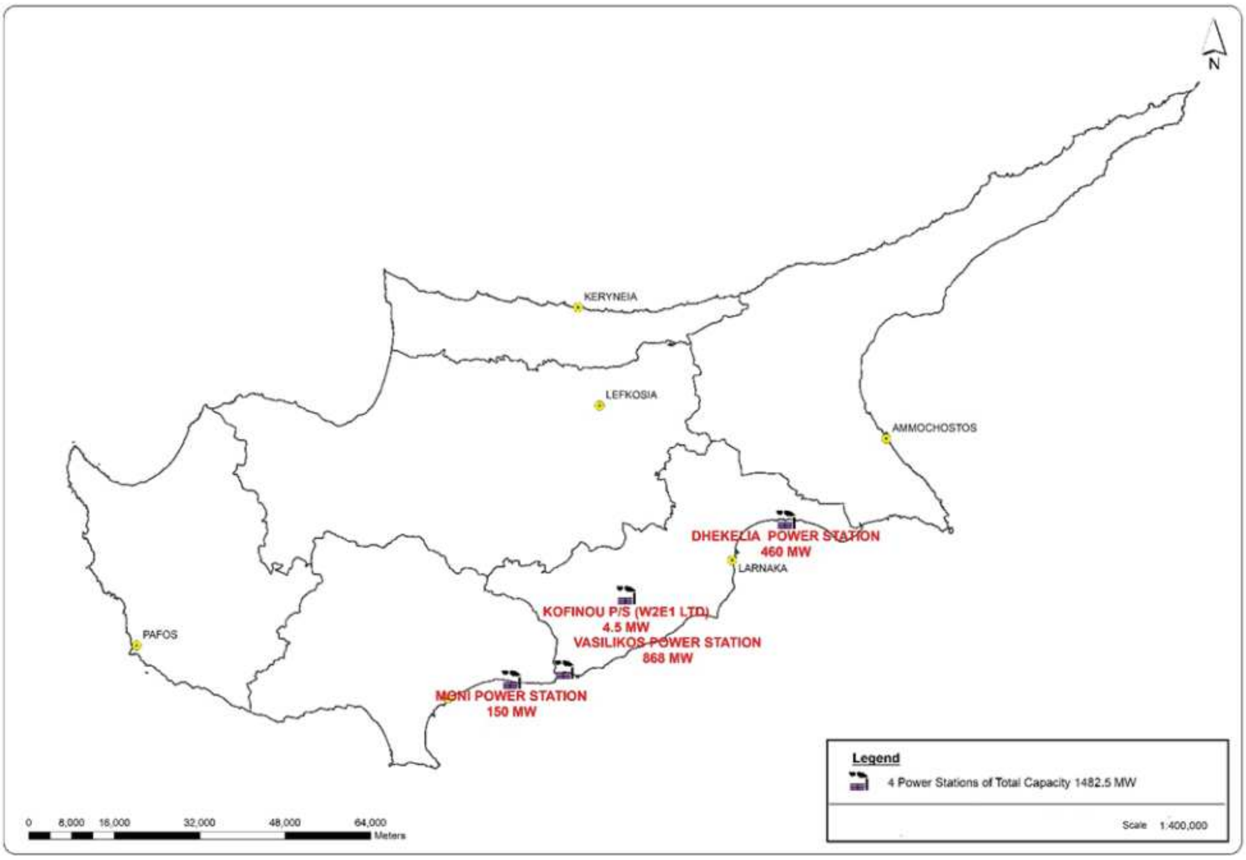


Figure 10 *- Illustration and geographical distribution of installed conventional plants for commercial use until 2023*

The total installed capacity of conventional units intended for self-consumption and reserve purposes and of autonomous self-generation systems increased in 2023 to 303.1MWe.

Renewable Energy Sources

The total installed capacity of wind farms intended for commercial purposes did not change in 2023, but remained at 157.5MWe, just like in 2022.

The total installed capacity of photovoltaic systems intended for commercial purposes increased in 2023 to 358.4MWe.

The total installed capacity of photovoltaic systems intended for self-consumption, other than systems using the net metering method, increased in 2023 to 59.24MWe.

The total installed capacity of autonomous photovoltaic self-generation systems increased in 2023 to 2.08MWe.

The total installed capacity of biomass/biogas plants intended for commercial purposes dropped in 2023 to 4.18MWe.

The total installed capacity of biomass/biogas plants intended for self-consumption increased in 2023 to 5.6MWe.

Photovoltaic systems using the net-metering method

Net metering is addressed to all consumers in whose premises a small photovoltaic system with capacity up of to 10kWe is installed. According to this method, the difference is calculated between the electricity that is generated from the photovoltaic system installed in the premises and fed into the grid, and the electricity that is obtained from the electricity grid to meet the demands of the premises.

In 2023, 18,155 photovoltaic systems with a total installed capacity of 88.05MWe were installed.

In 2023, the total installed capacity of the photovoltaic systems using the net metering method is 239.8MWe.

Figure 11 shows the number and capacity of installed photovoltaic systems using the net metering method in period from 2013 to 2023.

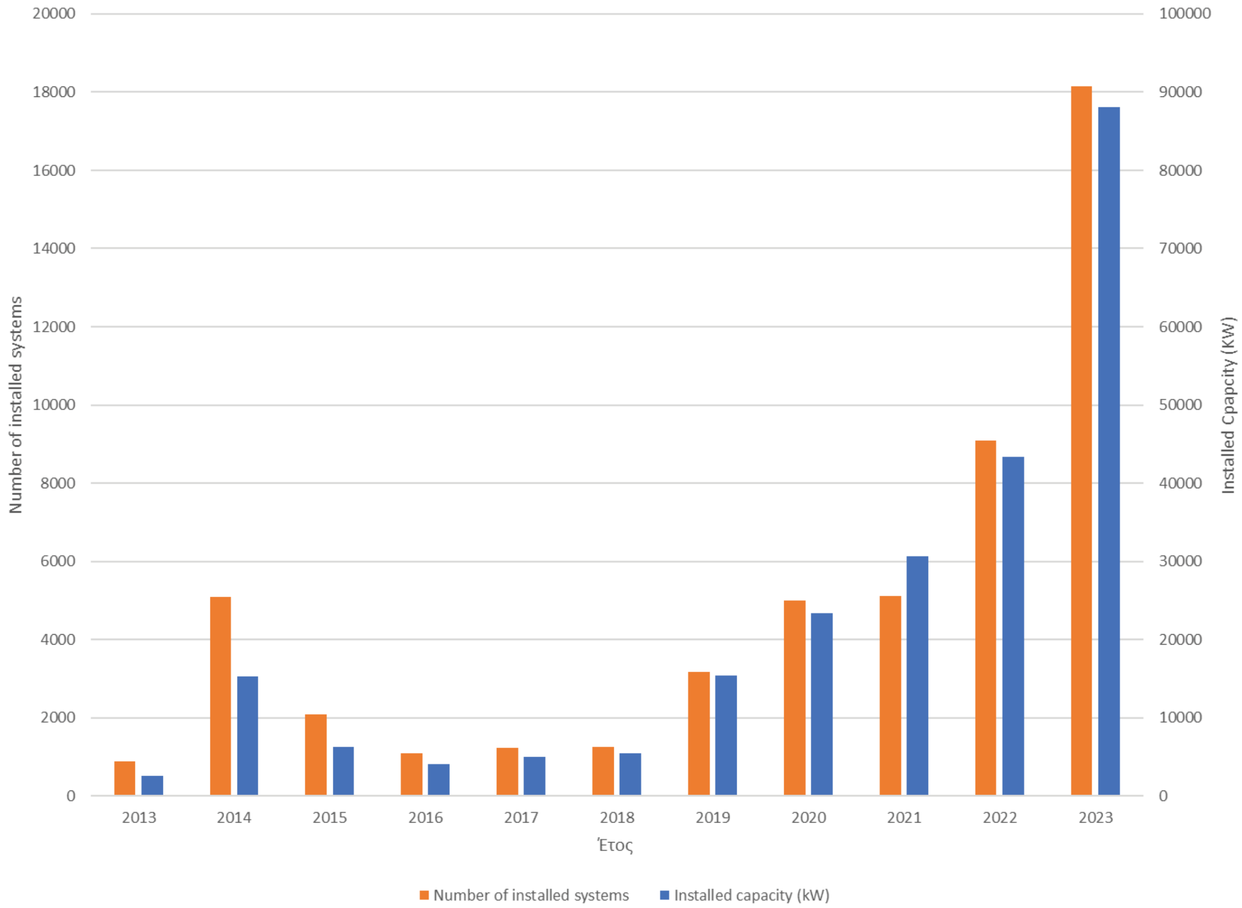


Figure 11 *- Number of installed systems and installed capacity (kW) of net metering systems in the period from 2013 to 2023*

Figure 12 shows the geographical distribution of installed RES units with a capacity of more than 20kWp by 2023, as well as the uniform distribution of RES units in the territory of the Republic of Cyprus.

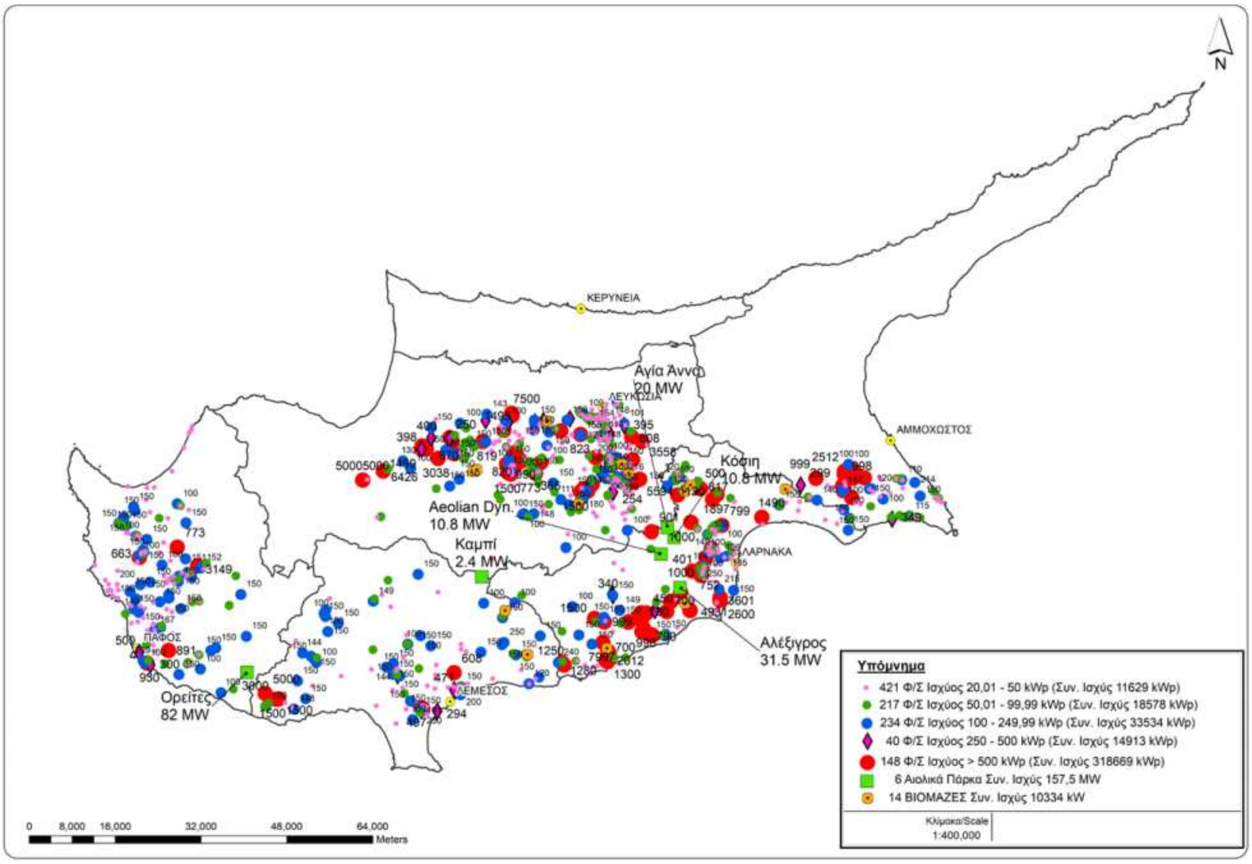


Figure 12 *- Illustration and geographical distribution of installed RES units with capacity of more than 20kWp, by 2023*

Registry of applications for licence and licences issued

All lists of applications for licences as well as all licences and exemptions granted are posted on the CERA website.

Electricity generation data for 2023

Total maximum capacity and electricity generation

The peak demand for electricity in 2023 was recorded on 24 July 2023. The maximum total generation capacity amounted to 1233MW.

Total generation of energy (GWh)

Regarding the recorded total generation of electricity in 2023, the following important data have been recorded:

- Total gross electricity generated reached 5,080,710MWh.
- Total electricity generation from conventional plants amounted to 3,986,447MWh.
- Total electricity generation from RES amounted to 1,094,263MWh.
- Energy fed into the transmission system from conventional plants reached 4,073,333MWh.
- Energy fed into the transmission system from RES units reached 163,998MWh.
- Energy fed into the distribution system from RES units reached 930,264MWh.

- Energy fed into the distribution system from the transmission system reached 4,068,608MWh.
- Recorded transmission system losses amounted to 56,050GWh, or 1.32 %, of the energy fed into the transmission system.
- Recorded distribution system losses amounted to 106.728GWh, or 2.77 % of the energy fed into the distribution system.

Load factor

The annual load factor for 2023 stood at 47.0 %, recording a drop compared to the load factor for 2022, which stood at 52.8 %. The load factor is calculated as the ratio of the annual final gross electricity consumption to the annual electrical energy that can be generated with the maximum capacity production recorded in the year, which includes conventional and RES generation.

Figure 13 shows the total generation of electricity for 2023.

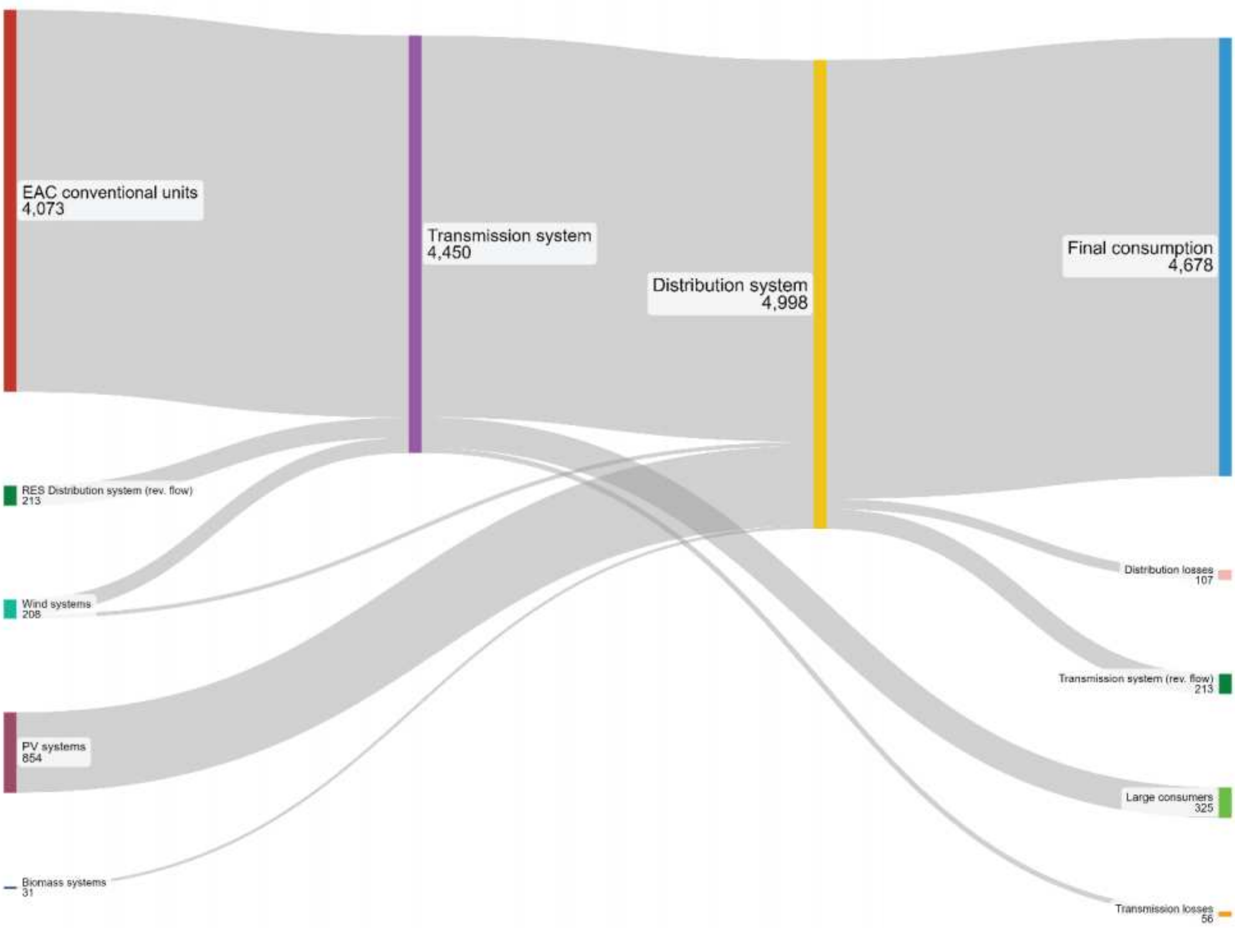


Figure 13 *- Sankey diagram for the total generation of electricity (GWh) in 2023*

Figures 14 and 15 show historical data of the installed capacity of RES and conventional plants that are connected to the grid. It is observed from the figures that the total installed capacity of RES units has increased significantly in recent years. In 2023, installed capacity of RES units reached 35% of the total installed capacity of all electricity generation plants in Cyprus.

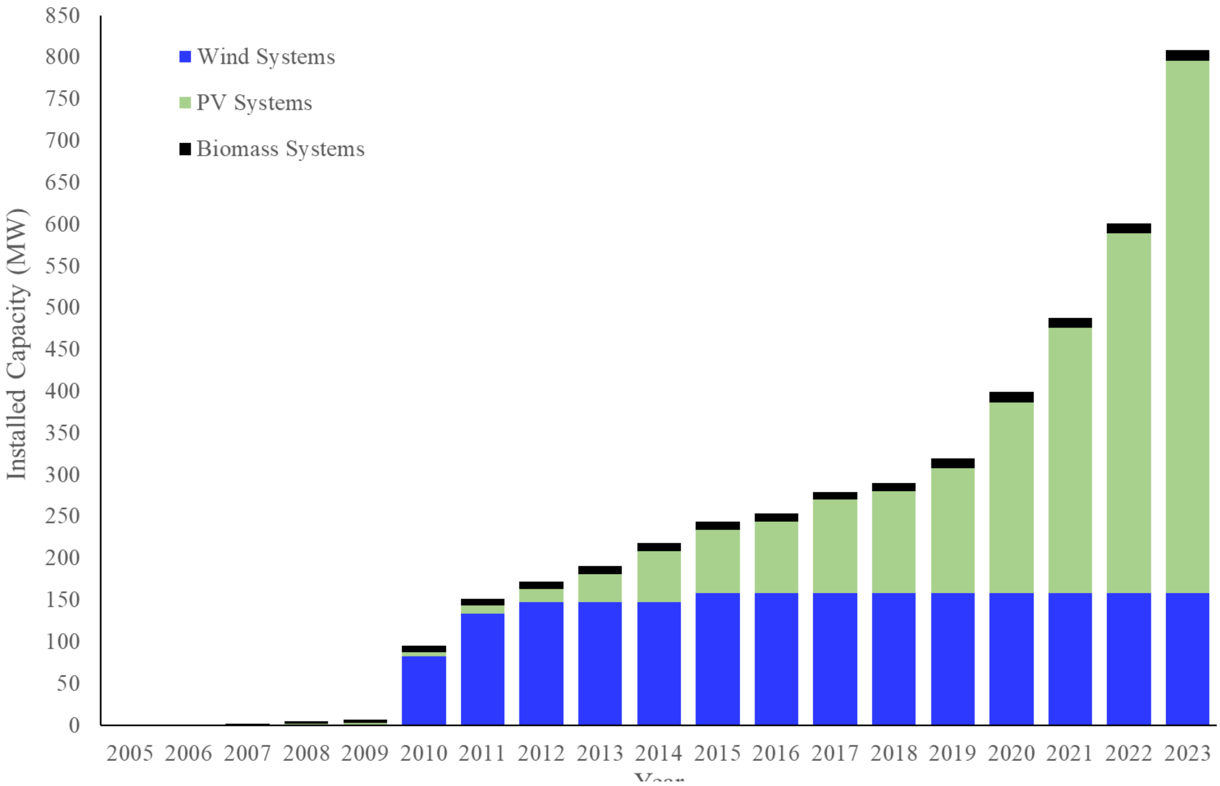


Figure 14 *- Annual installed capacity (MW) of RES units*

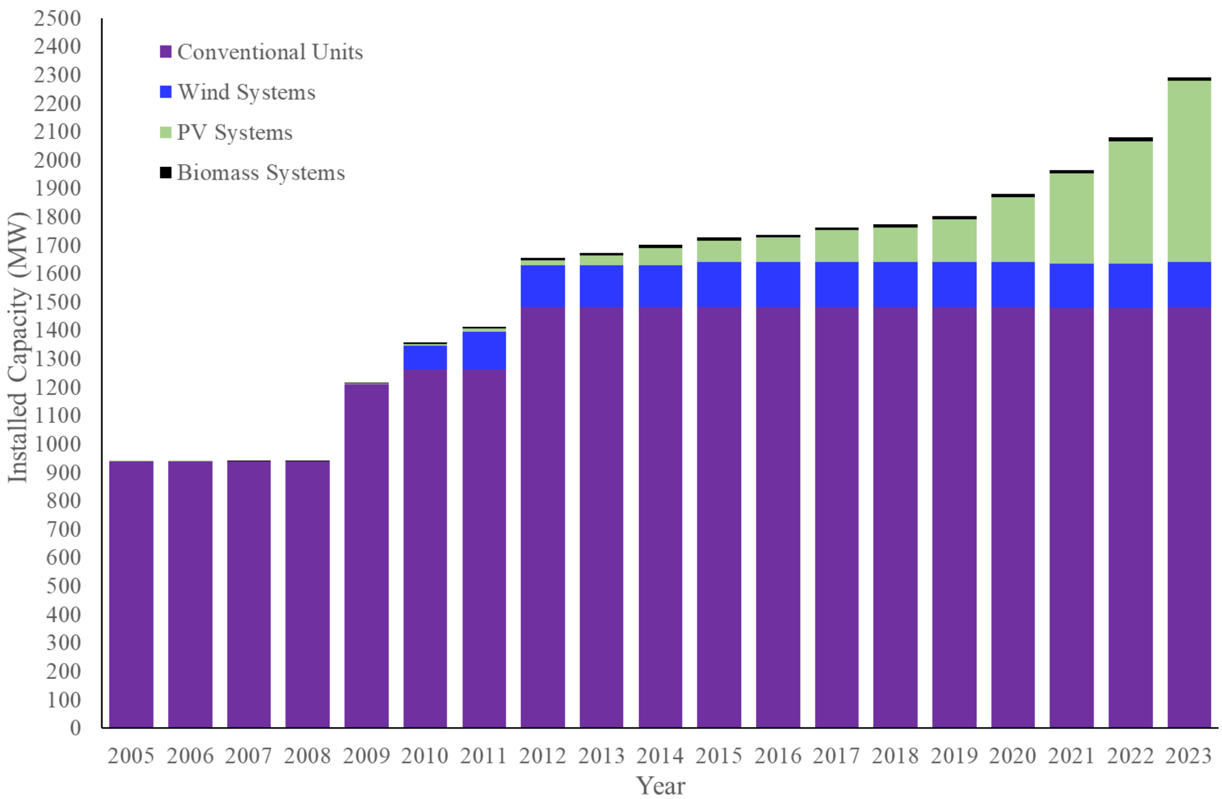


Figure 15 *- Annual installed capacity (MW) of RES and conventional units*

Figures 16 and 17 show historical data of generation from RES and conventional units that are connected to the grid. It is observed from the figures that the total generation of electricity from RES units has increased significantly in recent years. In 2023, the annual generation of electricity from RES units reached 22 % of the total generation from all the power plants in Cyprus.

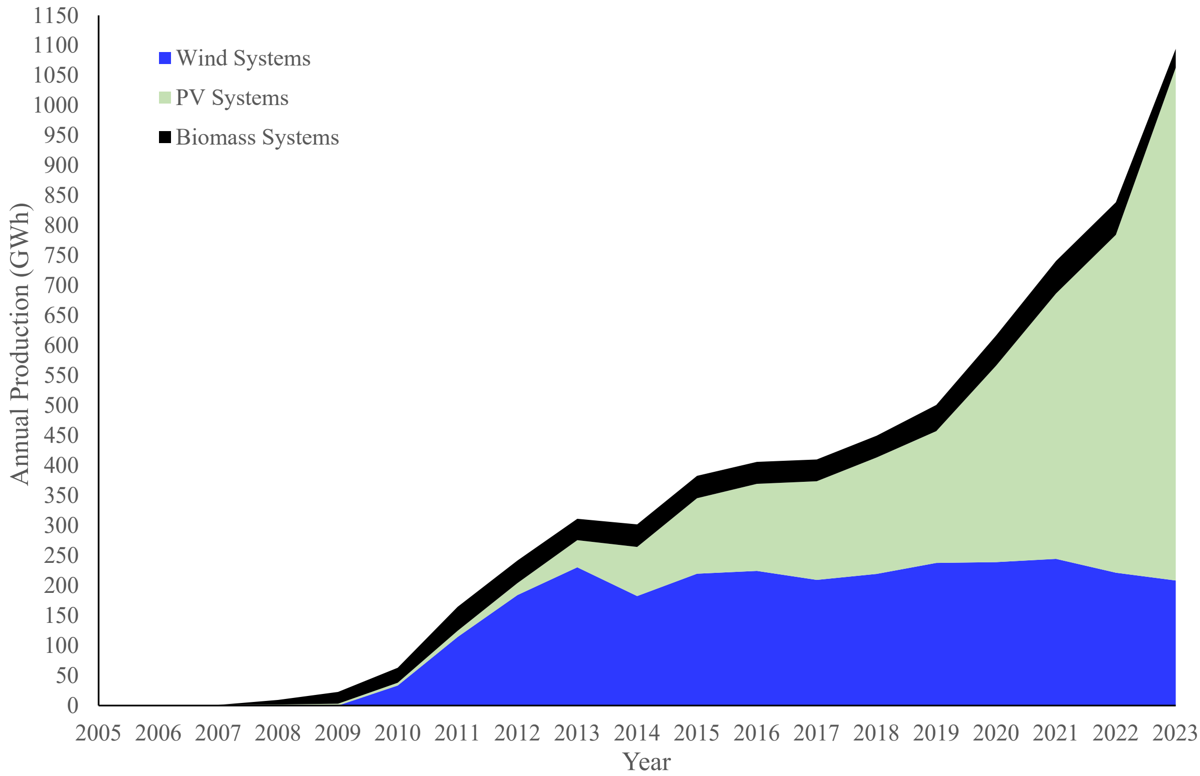


Figure 16*- Annual generation (GWh) of RES units*

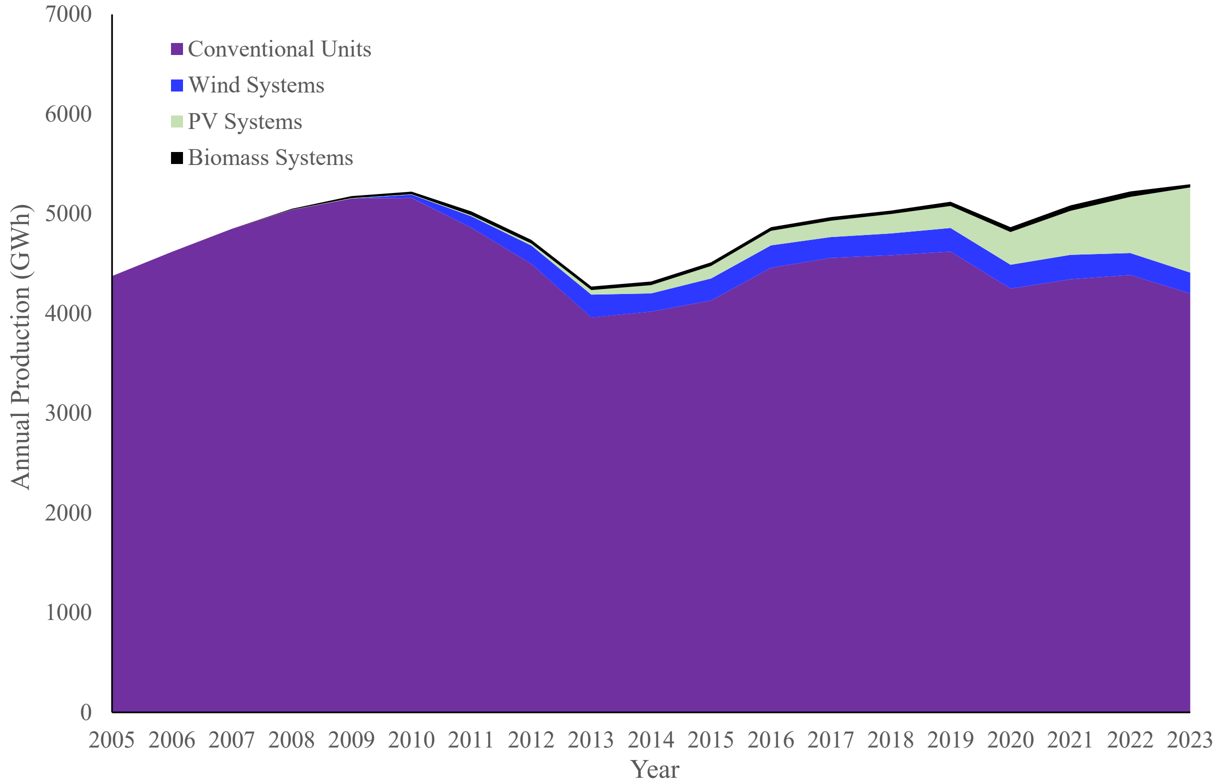


Figure 17 *- Annual generation (GWh) of RES and conventional units*

Figure 18 shows the RES penetration percentage duration curves in the electricity generation system for the last ten years.

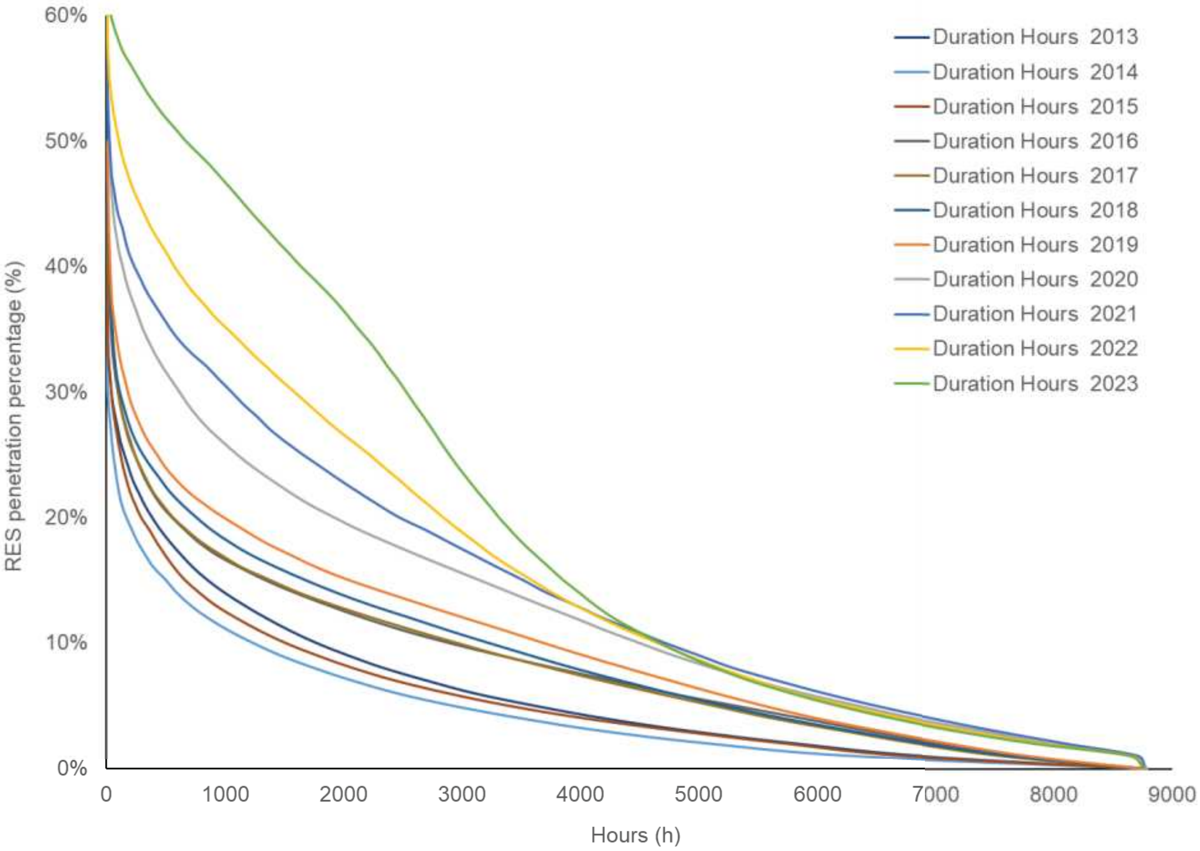


Figure 18 *– RES penetration percentage duration curves for 2013-2023*

Environmental indicators in relation to total annual conventional electricity generation

Given Cyprus' high dependence on electricity generation by conventional plants, the air quality is significantly impacted. To quantify these impacts, the environmental indicator that is associated with the annual emissions of carbon dioxide (CO2) and other atmospheric pollutants, in particular carbon monoxide (CO), sulphur dioxide (SO2), nitrogen oxides (NOX) and particulate matter (PM), from the large-scale conventional electricity generation sector in the Republic of Cyprus. The annual variation of the environmental CO2 emissions index in the reporting period is shown in Figure 19.

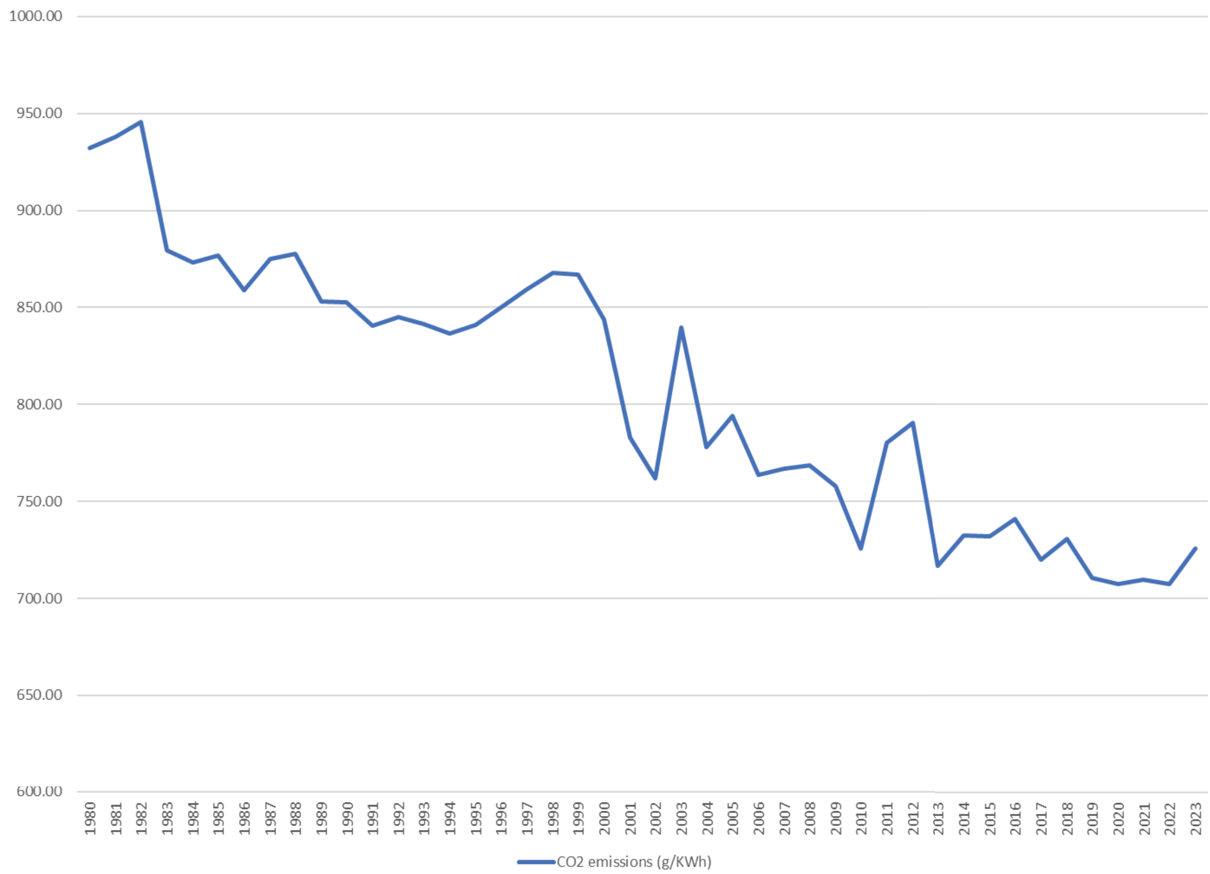


Figure 19 *- Annual variation of environmental carbon dioxide (CO2) emissions index in grams per kilowatt-hour from large-scale conventional electricity generation plants*

For easier comparison, Figure 20 shows the annual variation in the environmental SO2, NOX, and PM emissions indices in the reporting period using common logarithmic scales.

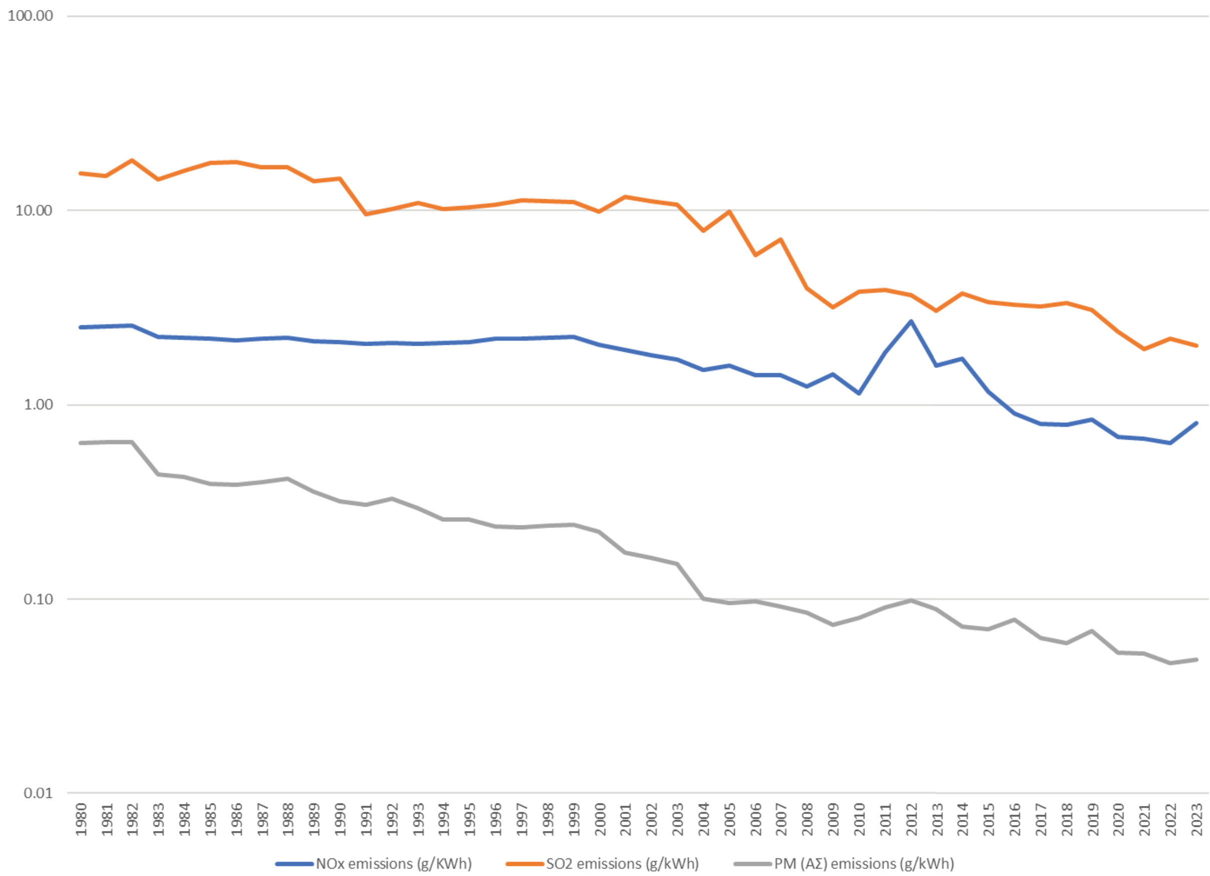


Figure 20 *- Annual variation of the environmental PM, SO2, NOX emissions indices in grams per kilowatt-hour, from large-scale conventional electricity generation plants (logarithmic scale)*

Approved maximum total capacity (MW) and total generated electricity (GWh) forecast for the period 2024-2033

Figures 21 and 22 show the total energy generation (GWh) and maximum total capacity (MW) forecast for the period 2024-2033.

The upper limit represents the expected demand in extreme conditions, that is conditions of prolonged heat wave in summer and low temperature in winter. The lower limit represents the expected demand in mild temperatures.

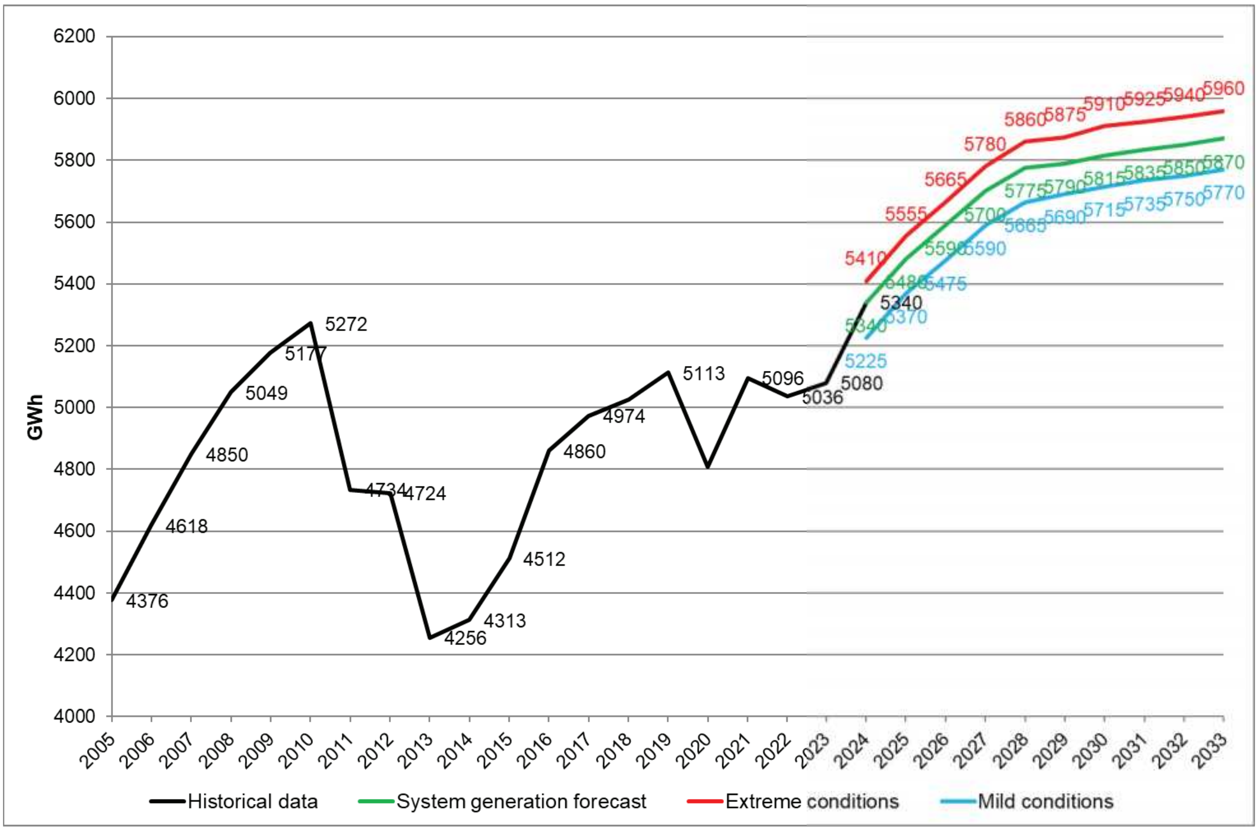


Figure 21 *- Approved forecast of total generated energy (GWh) 2024-2033*

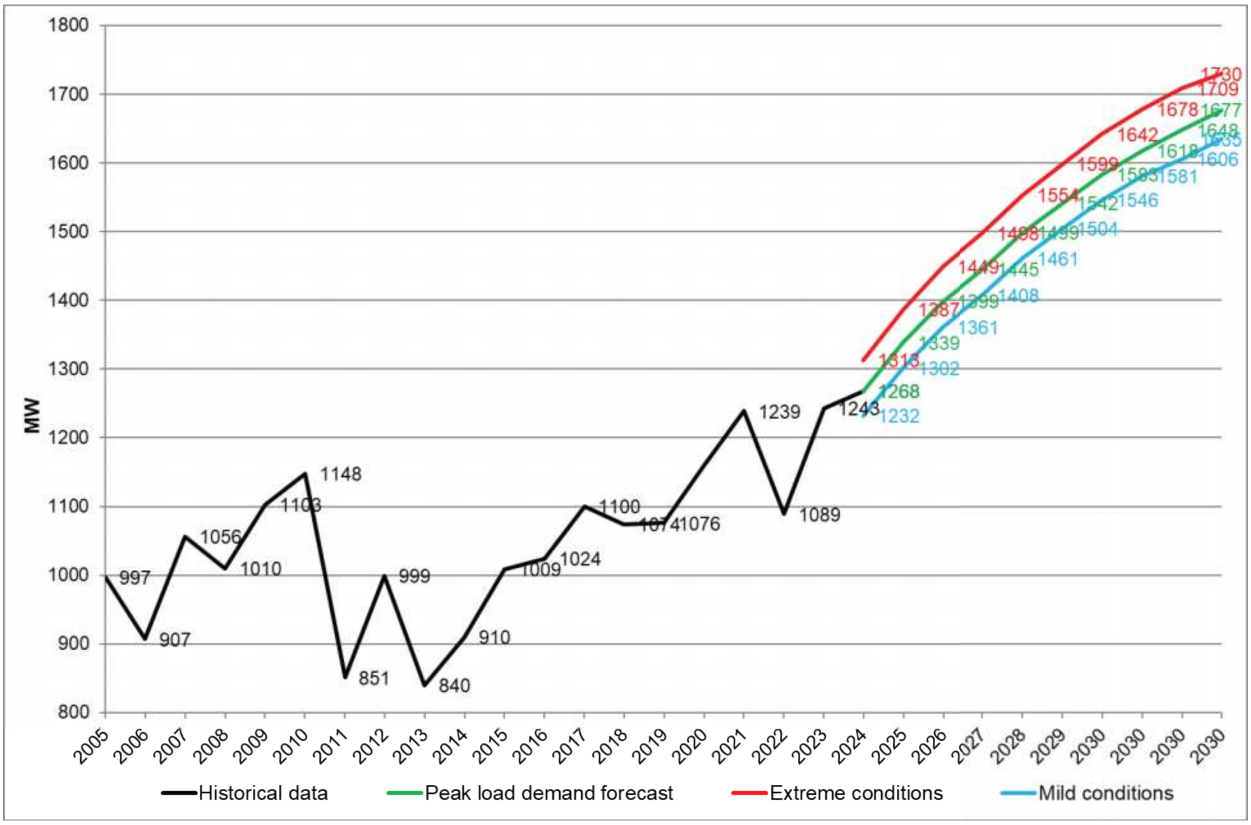


Figure 22 *- Approved forecast of maximum total capacity (MW) 2024-2033*

Adequacy of electricity supply

Pursuant to the Laws Regulating the Electricity Market of 2021 to 2023, CERA is responsible for the adequacy of electricity in Cyprus, the reliability and security of the generation, transmission and distribution system, as well as the quality of electricity supply. CERA systematically monitors the adequacy, quality and reliability of the electricity supply and, whenever it detects any shortfalls, it informs the Minister for Energy, Commerce and Industry, who, after consulting with CERA and TSOC, takes all indicated corrective measures pursuant to the Laws Regulating the Electricity Market of 2021 to 2023.

Based on the literature, there are many indicators that can be used to assess the capacity adequacy of an electrical system. These indicators can be divided into two main categories, such as:

- deterministic indicators, and
- stochastic indicators.

Deterministic indicators assess the electrical system's ability to provide satisfactory installed capacity; however, without considering its daily operation. Stochastic indicators consider the operation of the electrical system and rely for example on the Loss of Load Expectation (LoLE) and the expected Energy Not Served (ENS). The calculation of stochastic indicators requires an analysis of the operation of the electrical system through simulations of the electricity generation system.

Figure 23 shows the installed operational capacity of existing generation plants at system peak demand. This figure does not take into account system operation, such as scheduled maintenance of electricity generation plants, unforeseeable damage to electricity generation plants, but also demand variation and possible entry of new units to the system.

As shown in Figure 23, during peak demand, provided that all plants are available, demand can be met by the existing generation.

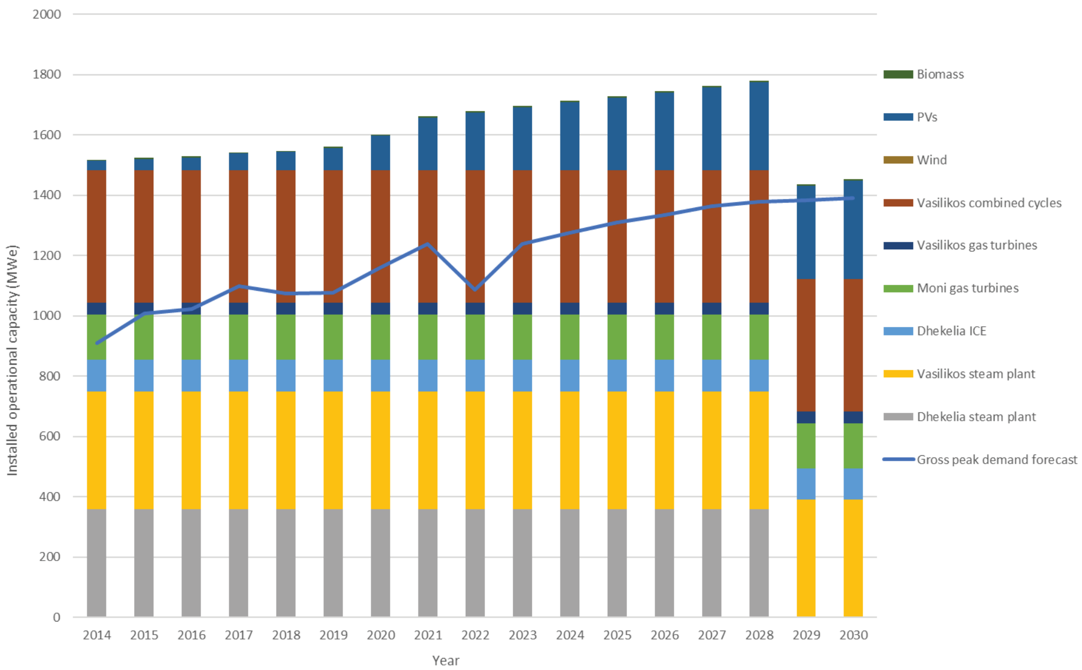


***Figure 23** - Adequacy of electricity supply*

Electricity prices

Figures 24, 25 and 26 show historical data for each year from 2016 to 2023 (in €¢/kWh):

- Network usage fees for consumers connected to low voltage (it includes the transmission system tariff, medium voltage distribution system tariff, low voltage distribution system tariff, tariff for the recovery of expenses of the TSOC and the tariff of ancillary services and long-term reserve),
- the allowed revenue of EAC per unit sold,
- the average basic wholesale tariff (T-W) per unit exported.

It is noted that since 2017, regulated electricity tariffs by EAC have entered into force, which are based on the Statement of Regulatory Practice and Electricity Tariffs Methodology (Regulatory Decision 02/2015, KDP 208/2015), until the opening of the electricity market from which period the Regulatory Practice and Electricity Tariffs Methodology (Regulatory Decision 01/2021, KDP 359/2021) will enter into fu ll force.

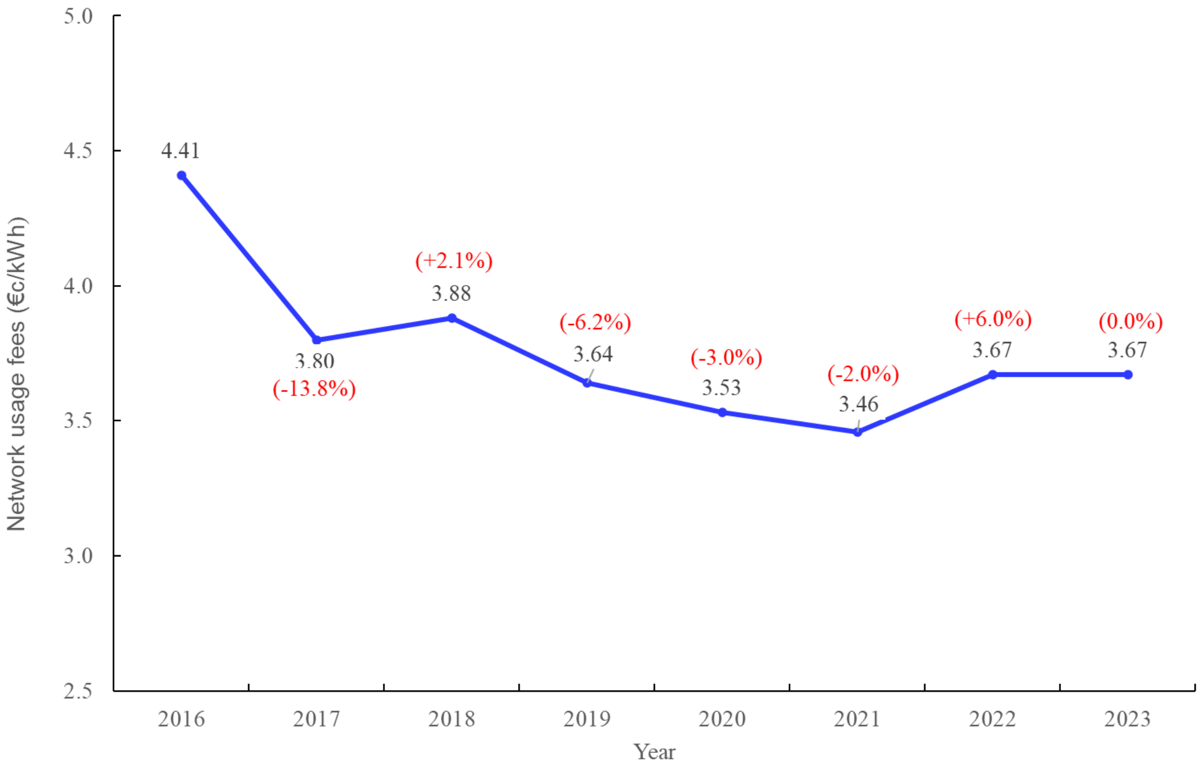


Figure 24 - *Network usage fees for consumers connected to low voltage from 2016 to 2023*

Figure 25 - *EAC's allowed revenue per unit sold from 2016 to 2023*

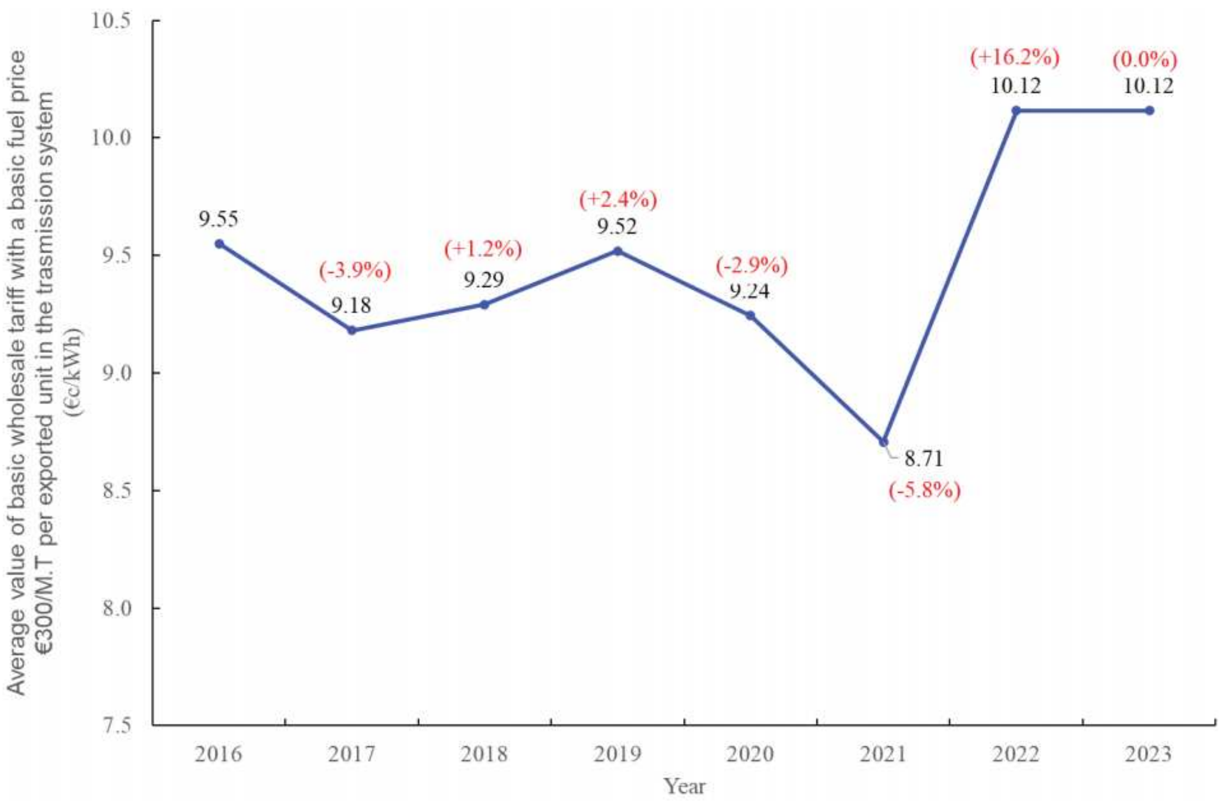


Figure 26 - *Average basic wholesale tariff from 2016 to 2023*

The following figures show data pertaining to the final electricity price for various tariff categories (includes the cost of fuel and CO2 emission allowances over €300/MT), as well as data that effects the tariff amounts.

Figure 27 shows a breakdown of the fuel price adjustment (€¢/kWh) that was charged per kilowatt-hour to low-voltage consumer bills from January 2017 to December 2023, regarding fuel, cost of purchasing CO2 emissions allowances and the cost of the Cyprus Organization for Storage and Management of Oil Stock

(COSMOS) From June 2020 to January 2021, there was a negative impact on fuel adjustment cost since the cost of fuel fell below €300/MT.

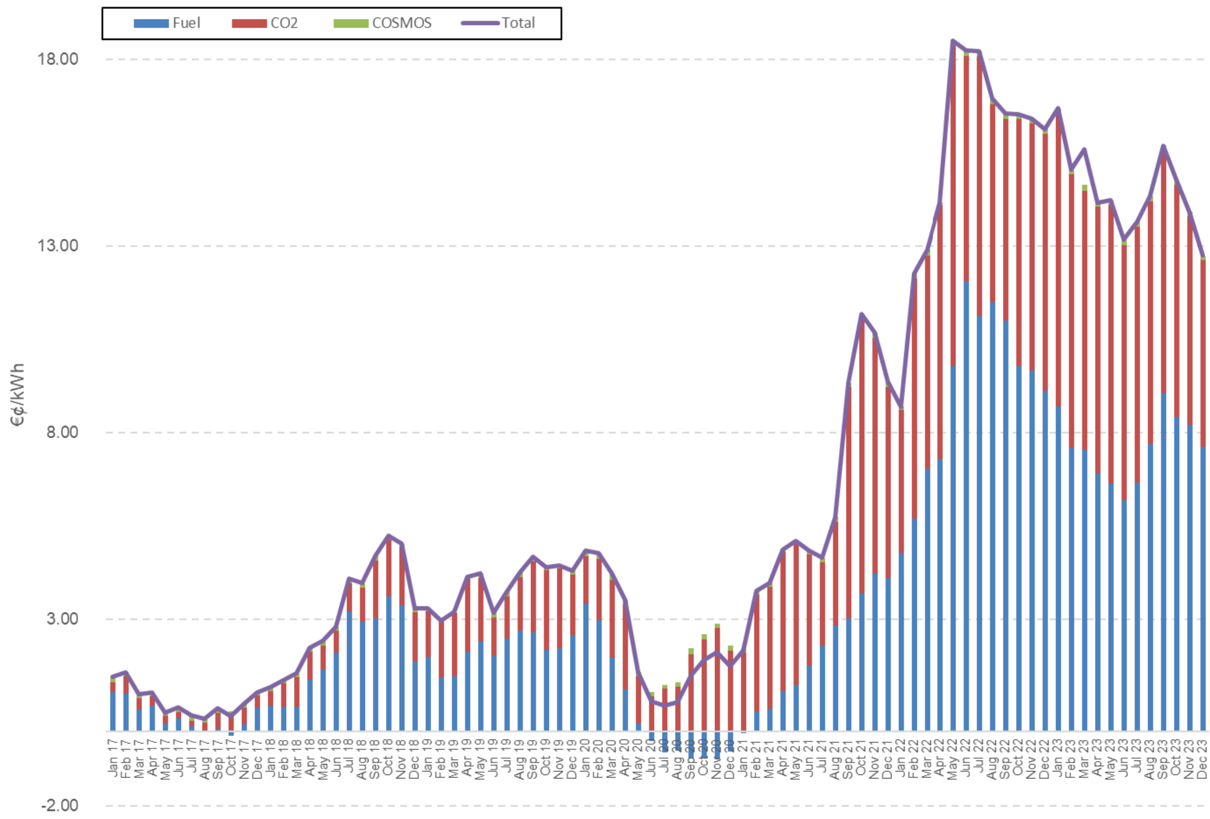


Figure 27 - *Breakdown of fuel adjustment cost, low voltage (€¢/kWh)*

Figure 28 shows the evolution of the weighted average cost of fuel (WACF) (including the cost of purchasing greenhouse gas emissions allowances) and the WACF that only includes the cost of fuel portion, from December 2012 to December 2023. Since the calculation of the WACF for June 2022, EAC Generation has implemented a new methodology regarding the purchase of greenhouse gas allowances. In short, according to this procedure, buying emission allowances is based on actual weekly fuel consumptions in order to fully implement the actual seasonality when buying emission allowances.

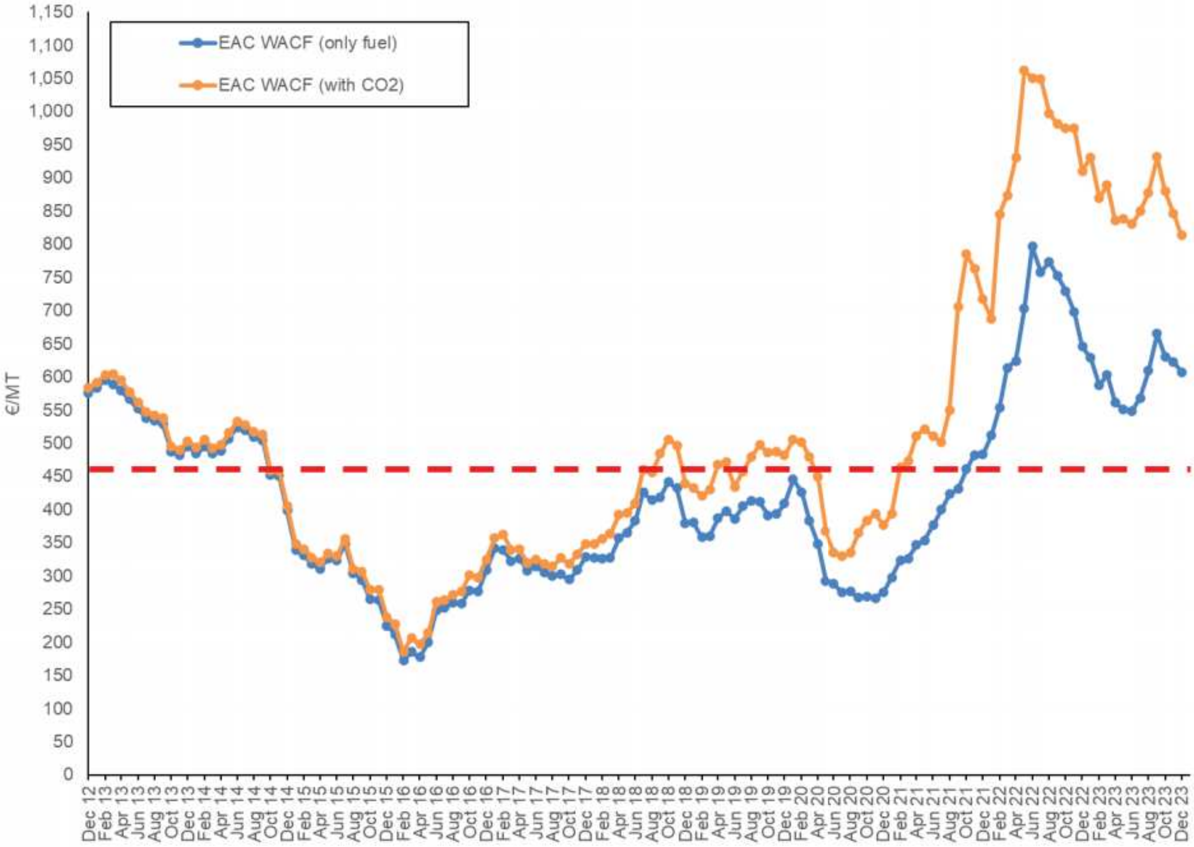


Figure 28 - *WACF EAC Generation (only fuel, including CO2 cost)*

Figure 29 shows the fuel mix from January 2016 to December 2023 that has been consumed for electricity generation. As shown in the Figure, the fuel mix for electricity generation ratio for the months of January to December 2023 were on average, HFO: 70%, GasOil: 30%.

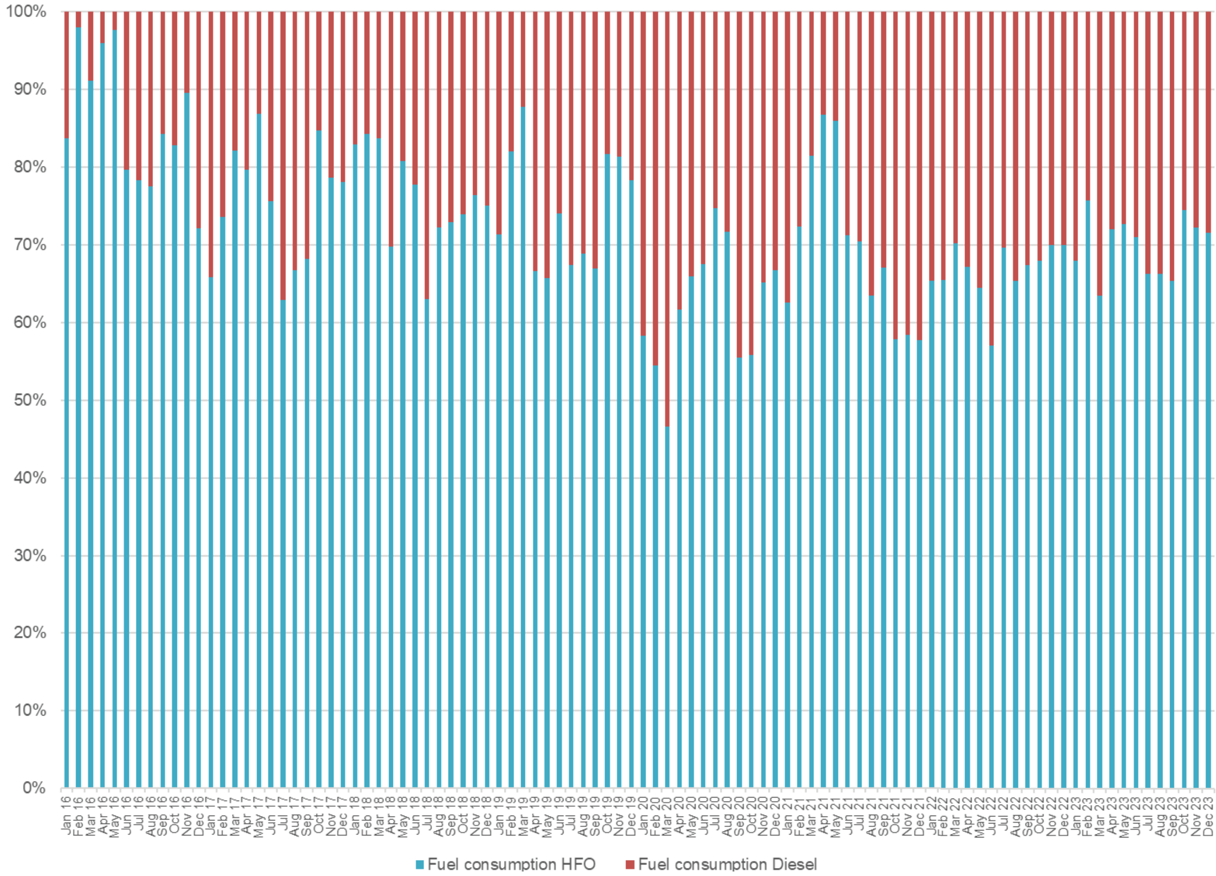


Figure 29 - *Fuel mix for EAC electricity generation (% of consumption)*

Figure 30 shows the total and average unit cost for the purchase of greenhouse gas emission allowances from January 2017 to December 2023.

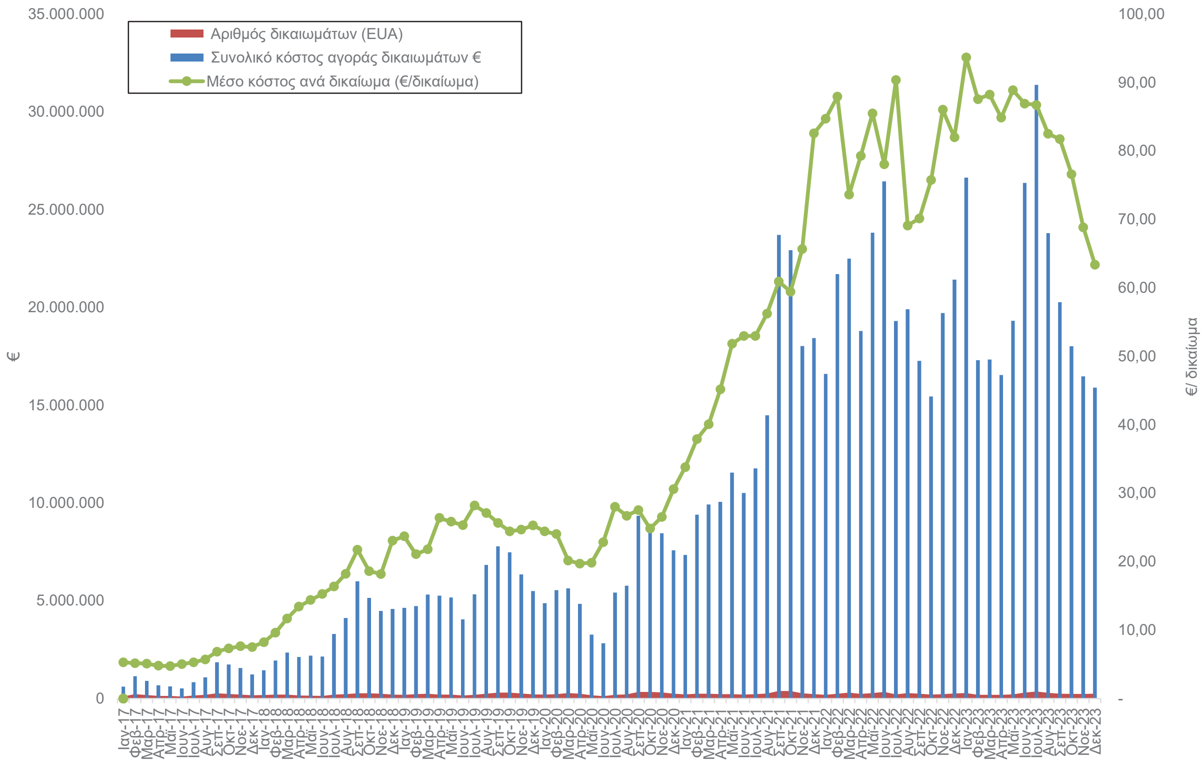


Figure 30 - *Total cost for the purchase of CO2 emission allowances by EAC Generation, average cost per allowance*

Figure 31 shows the number of greenhouse gas emission allowances that have been purchased by EAC Generation from January 2017 to December 2023.

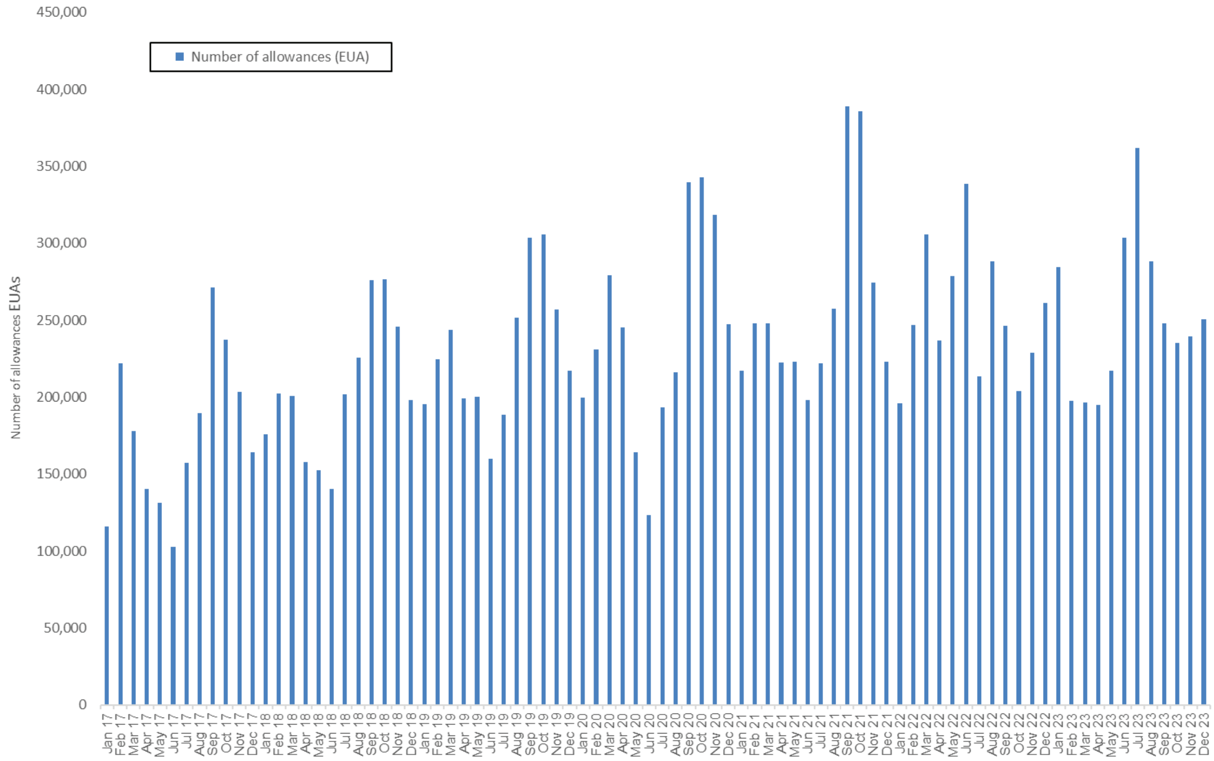


Figure 31 - *Number of CO2 emission allowances that were purchased by EAC Generation*

Figure 32 shows the average tariff for household use (code 01) with a bi-monthly consumption of 600kWh from December 2012 to December 2023, inclusive of VAT and RES fee.

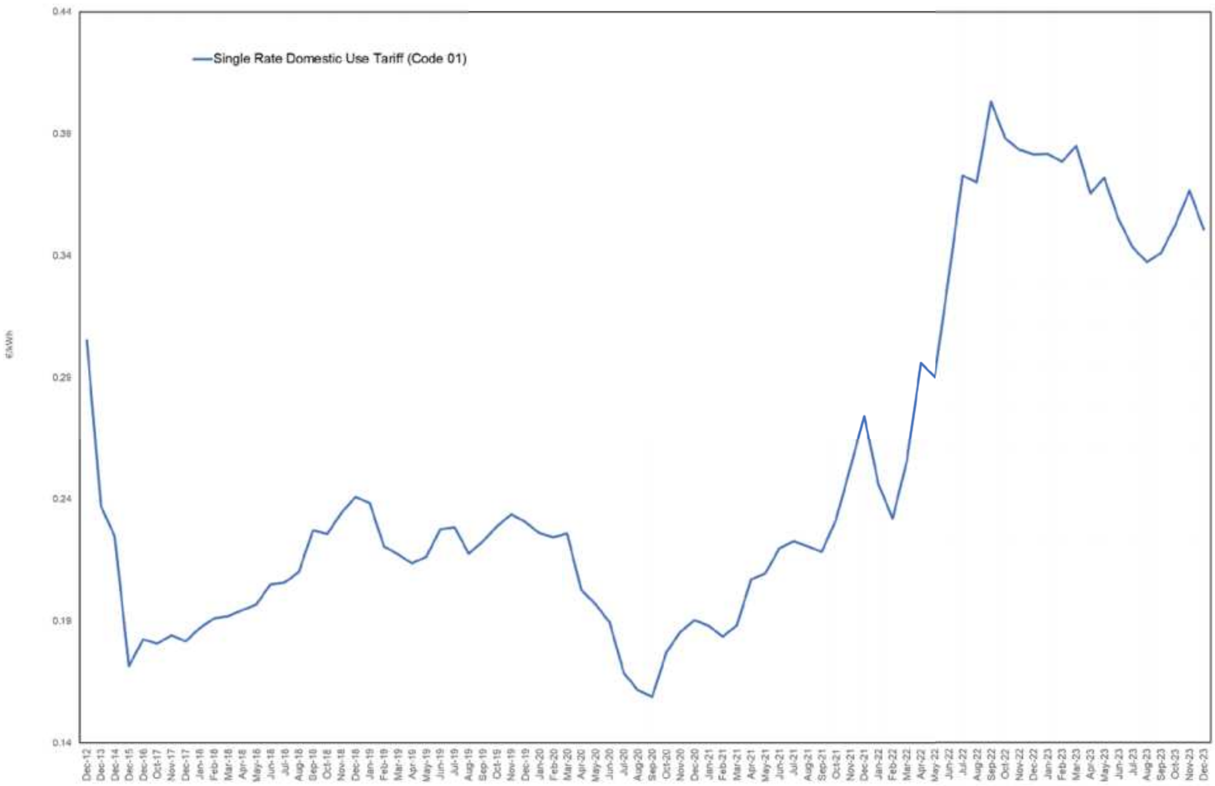


Figure 32 - *Average tariff for household use (code 01)*

Figure 33 shows the fee percentages for Public Service Obligations (PSO), VAT and RES on the total bill amount for an average household consumer (bi-monthly consumption 600kWh) from October 2017 to December 2023.

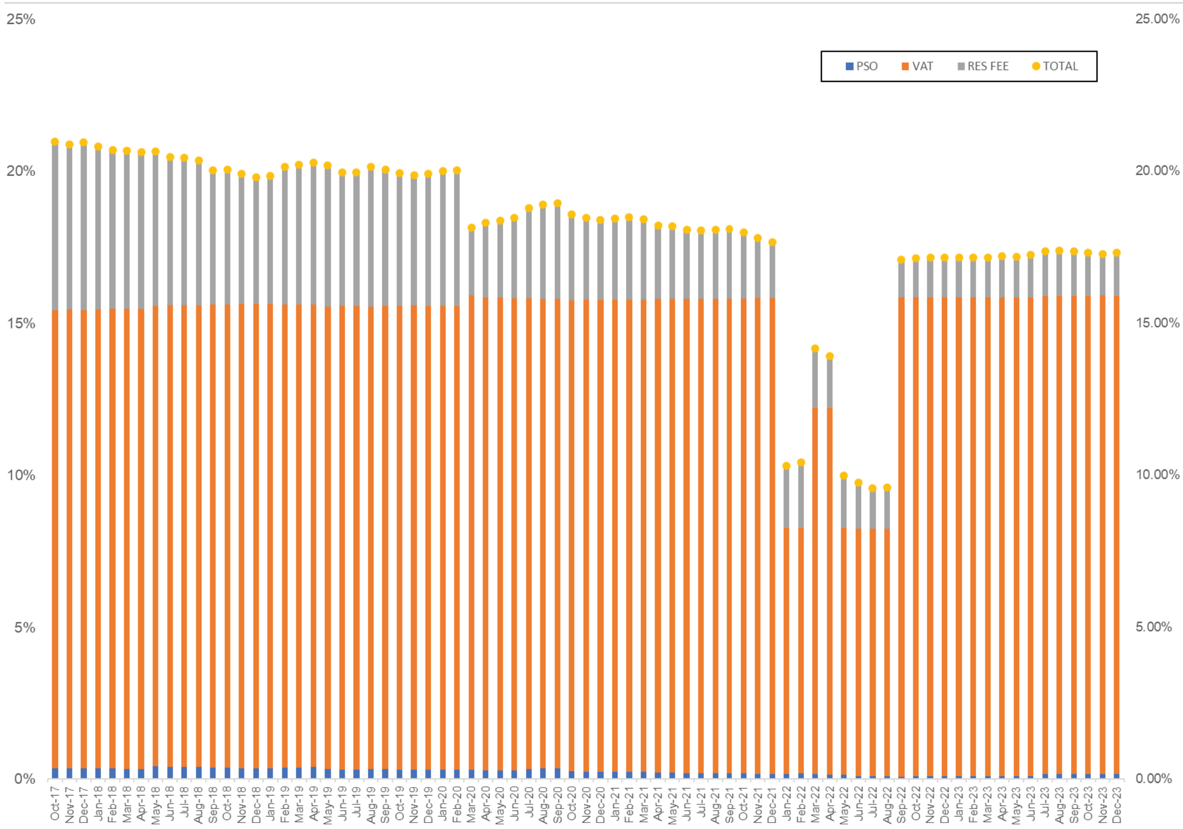


Figure 33 - *Breakdown of PSO, VAT and RES for tariff 01*

Figure 34 shows the average value of tariff 10 —bi-monthly low voltage single rate commercial use tariff— from October 2017 to December 2023, inclusive of VAT and RES fee.

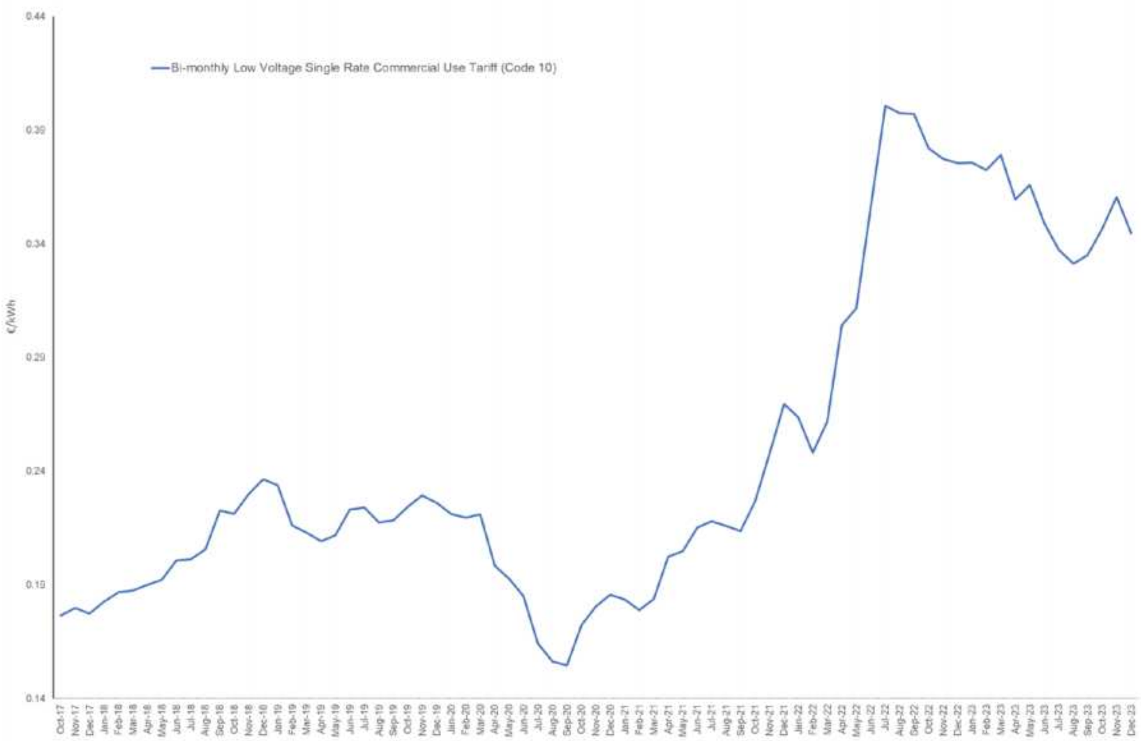


Figure 34 - *Average bi-monthly low voltage single rate commercial use tariff (code 10)*

Figure 35 shows the average value of tariff 30 —monthly low voltage seasonal two-rate commercial and industrial use tariff— from October 2017 to December 2023, inclusive of VAT and RES fee.

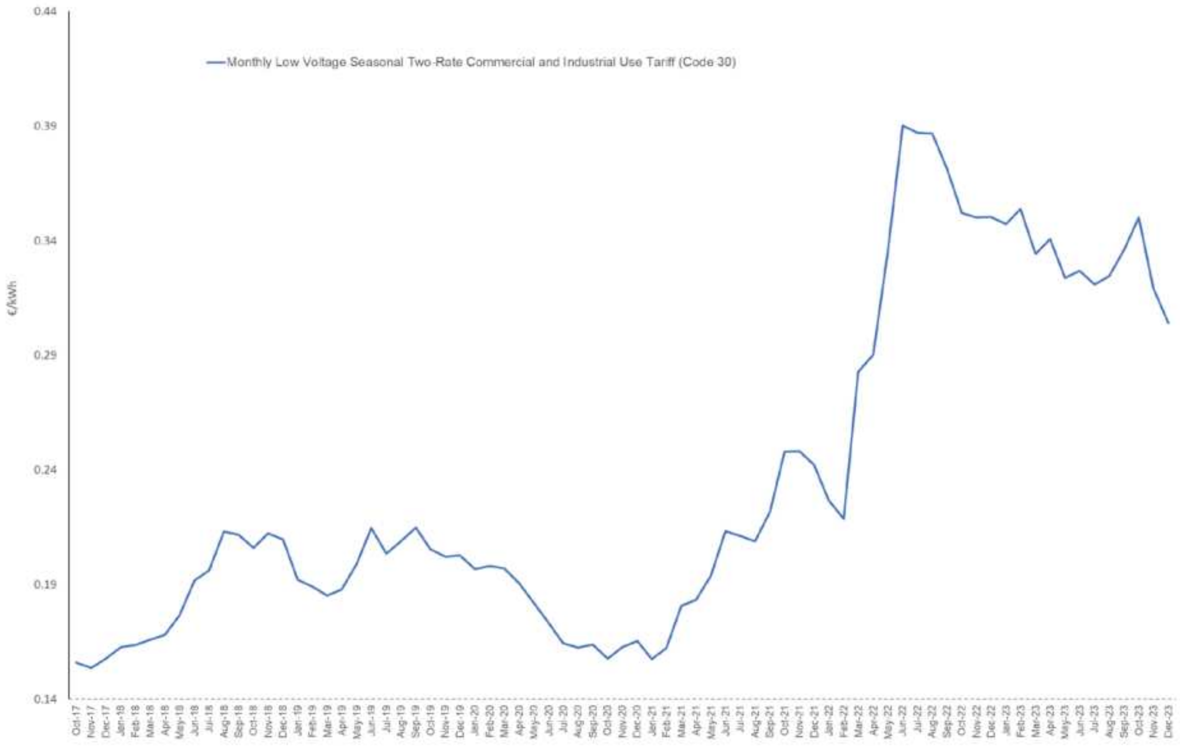


Figure 35 - *Average monthly low voltage seasonal two-rate commercial and industrial use tariff (code 30)*

Figure 36 shows the average value of tariff 40 —monthly medium voltage seasonal two-rate commercial and industrial use tariff— from October 2017 to December 2023, inclusive of VAT and RES fee.

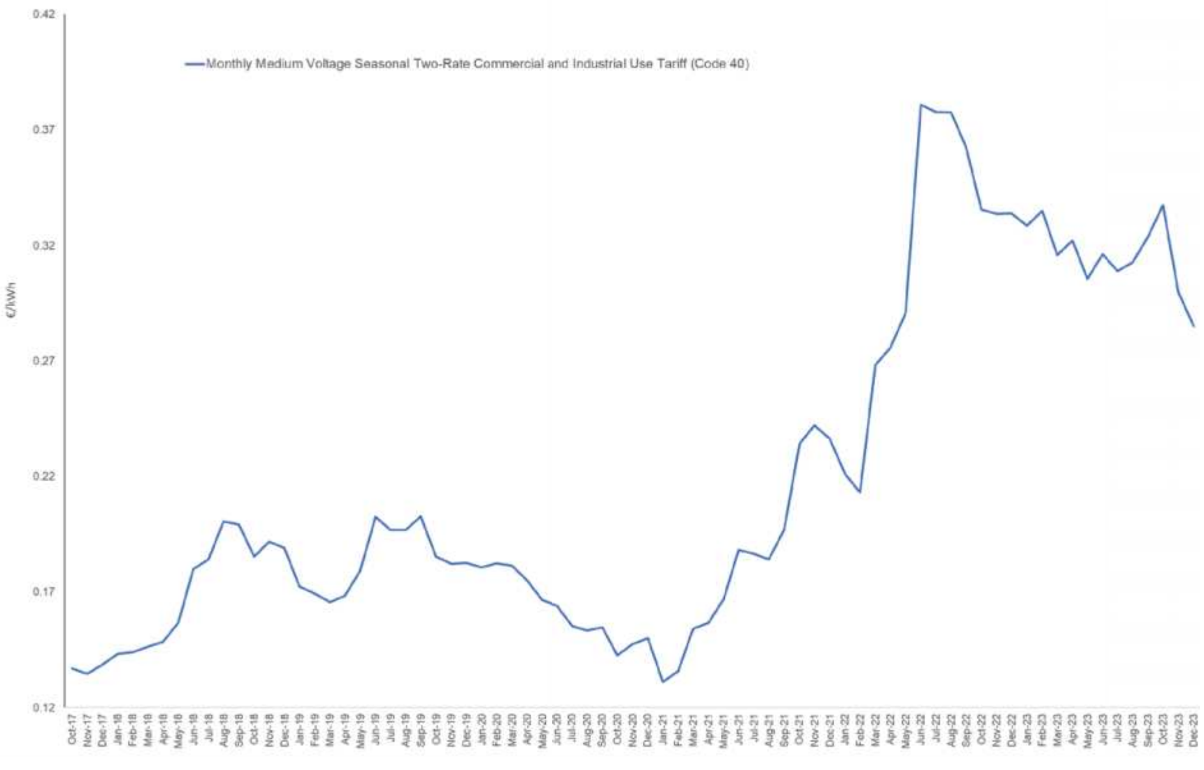


Figure 36 - *Monthly medium voltage seasonal two-rate commercial and industrial use tariff (code 40)*

Figure 37 shows the average value of tariff 50 —monthly high voltage seasonal two-rate commercial and industrial use tariff— from October 2017 to December 2023, inclusive of VAT and RES fee.

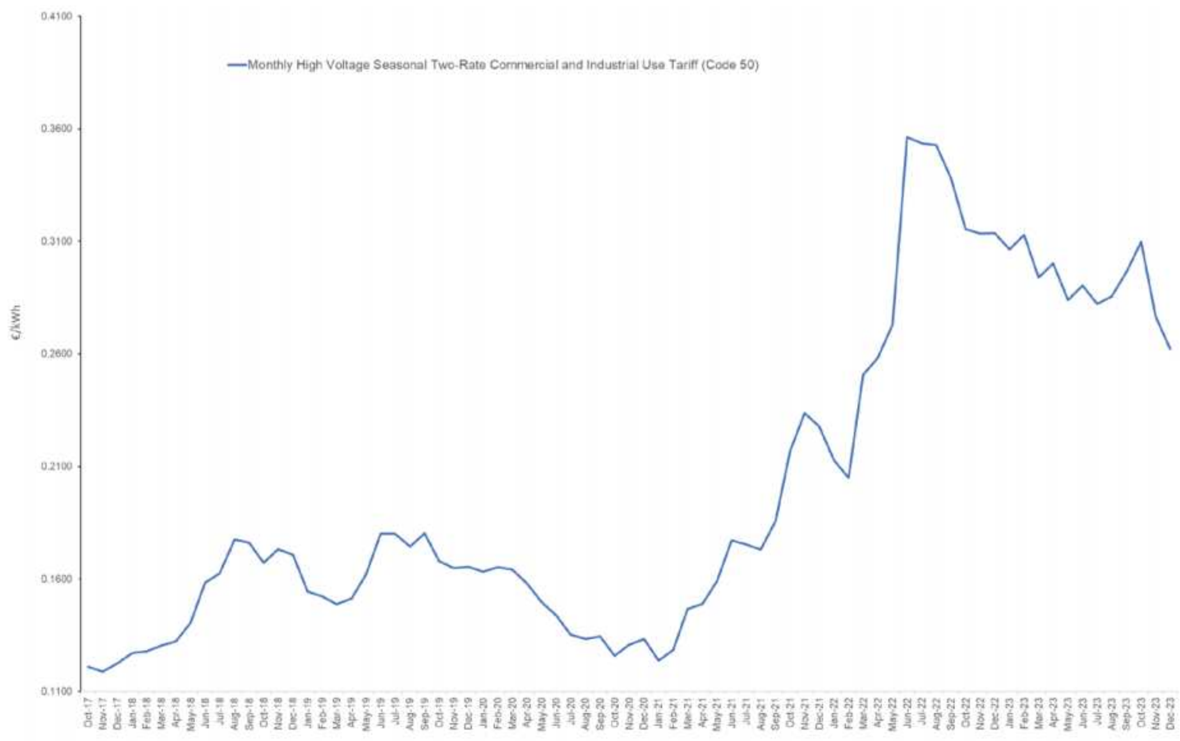


Figure 37 - *Monthly high voltage seasonal two-rate commercial and industrial use tariff (code 50)*

Figure 38 shows the cost of purchasing energy from RES, at low voltage, from December 2012 to December 2023.

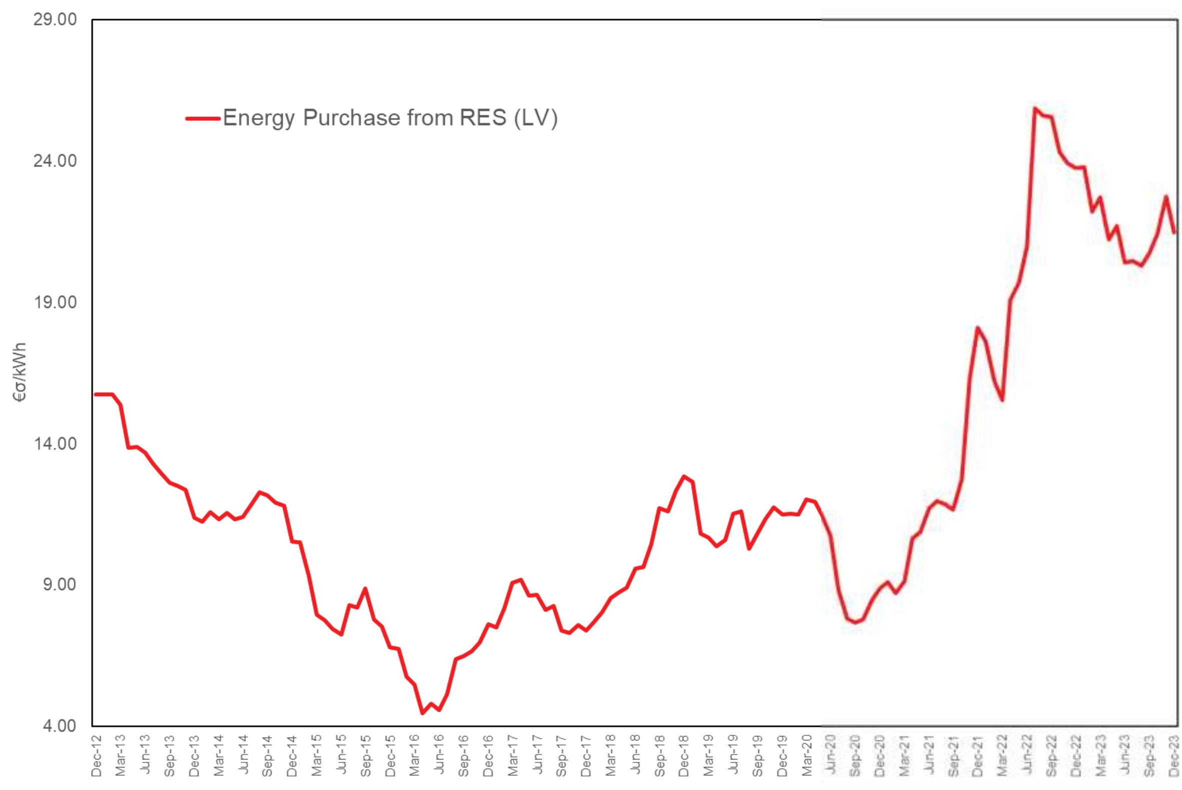


Figure 38 - *Cost of purchasing energy from RES (low voltage) - in €¢/kWh*

The above figures indicate that the 2023 basic electricity tariffs were the same as those of 2022.

However, in all tariff categories there is a slight decrease compared to 2022, which is relatively higher than in previous years.

The average tariff decrease in 2023 is due to the decrease in the cost of fuel in electricity generation, due to the global decrease in the cost of fuel, but also due to the decrease in the cost of purchasing greenhouse gas emission allowances.

Breakdown of EAC Supply bill

Figure 39 shows a breakdown of the electricity bill per charge category for a typical household consumer with bi-monthly consumption of 600kWh in December 2023, at the basic price (i.e., the basic fuel price €300/ Metric Ton).

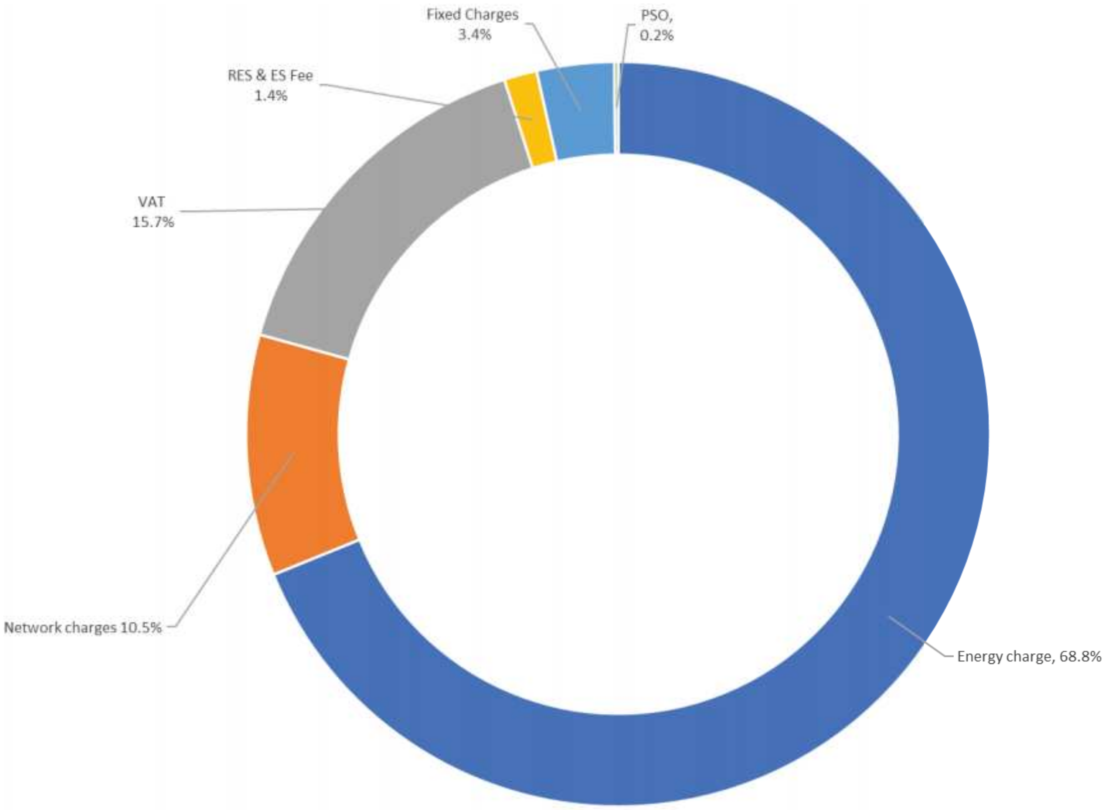


Figure 39 - *Breakdown of electricity bill for a typical household consumer with bi-monthly consumption of 600kWh (% on the final bill), December 2023*

Electricity prices in the European Union

Figure 40 below shows where Cyprus ranks compared to the rest of the EU Member States, in terms of the electricity prices that are charged to final household and non-household consumers. As one can see, Cyprus is among the Member States with the highest energy prices with respect to non-household consumers. Electricity prices for household consumers range among the EU's average household electricity prices.

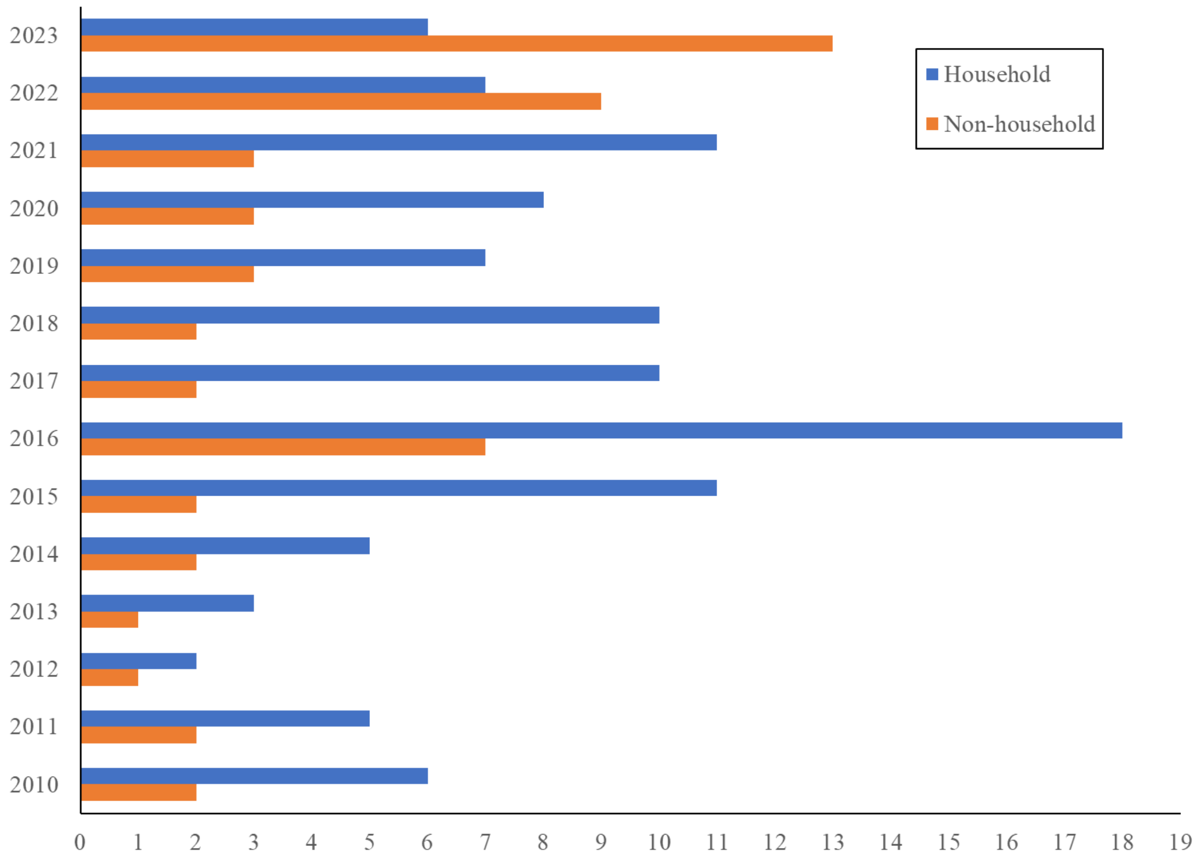


Figure 40 - *Ranking of Cyprus compared to the rest of the EU Member States in terms of electricity prices for the period from 2010 to 2023*[3 4]

3 https://ec.europa.eu/eurostat/databrowser/view/nrg_pc_205/default/table?lang=en

4 https://ec.europa.eu/eurostat/databrowser/view/nrg_pc_204__custom_11281787/default/table?lang=en

5 NATURAL GAS MARKET

Legislative framework for the natural gas market

The current Laws Regulating the Natural Gas Market of 2004 to 2022, which embrace the important features of the Third Energy Package, provide for the regulation of the natural gas market in the Republic of Cyprus and, among others, establish rules for the transmission, distribution, supply and storage of natural gas. In addition, they specify the rules for the organisation and operation of the natural gas sector, the access to the market, the exploitation of the networks and the criteria and procedures required to issue licences for the transmission, distribution, supply and storage of natural gas. Also, CERA's duties, responsibilities, range of activities and role are described.

It is noted that the Laws Regulating the Natural Gas Market of 2004 to 2022 contain the key provisions for the imminent introduction of natural gas in the country's energy balance. However, they do not specify the market model and the organisational framework that will be used for the development of the market, thereby providing reasonable flexibility to decision-makers to make the proper choices. In addition, they allow for derogations, according to the provisions of the Directive; however, without specifically establishing these derogations, leaving them to the discretion of the Council of Ministers.

A key element of the operating framework of natural gas and electricity markets, as it is described in the European legislative framework (Third Energy Package), is the unbundling of activities of generation and trade of natural gas. These activities should take place within a competitive environment, like the activities of transmission and distribution, for which the regulated access of third parties is allowed under the supervision of national regulatory authorities, ACER and the European Commission.

The Laws Regulating the Natural Gas of 2004 to 2022 provide for Cyprus the possibility of derogation from certain articles, because it can be considered either an isolated or an emerging market. In the case of Cyprus, it is possible, on one hand, to derogate from applying the competition in the supply of natural gas to end consumers, especially as long as the natural gas market of Cyprus is considered emerging. On the other hand, it is possible not to separate the activities of the operators of natural gas (transmission, distribution, storage, LNG, etc.) from those of trade and supply, in the manner described in the Directive, for example, as regards ownership unbundled transmission facilities.

The Council of Ministers, by Decision 87,649 dated 5 June 2019, in accordance with the provisions of the Law, determined the operating framework of the natural gas market for the effective period of the emerging market or until the Council decides to terminate the derogations, and appointed Operators. More specifically, according to the Decision, the competition is not applied in the supply of natural gas to the end consumers as long as the market is emerging; therefore, the supplier is responsible for concluding all the relevant contracts of natural gas import, including the LNG, as well as all contracts of supply of natural gas to consumers of all categories. In addition, by this Decision, the Natural Gas Public Company (DEFA Ltd) was appointed as a TSO, a DSO and a Liquefied Natural Gas Facility Operator (LNG Facility Operator) for a period of thirty years (30), starting from the date of issuance of the corresponding licences by CERA.

Furthermore, with Decision No 91,503 dated 7 July 2021 and based on the provision of the Law, the Council of Ministers appointed the DEFA Ltd as the Storage System Operator (SSO) for a period of thirty years (30), starting from the date of issuance of the corresponding licences by CERA. The Council also decided to apply a partial derogation, until 2025, from the application of Articles 18 and 24 of the Laws Regulating the Natural Gas Market of 2004 to 2022.

Organisation and development of the natural gas market

In June 2016, following the report submitted by CERA regarding the options for the development of the natural gas market in Cyprus, the Council of Ministers decided on the arrival of LNG in Cyprus as soon as possible and before 2020. LNG will initially be the exclusive option of supplying the internal market with natural gas. Then, after supplying the internal market with natural gas from indigenous deposits, it will be an alternative option that will ensure the security of the energy supply.

Following the study conducted by DEFA Ltd regarding the development of natural gas market in Cyprus, in order to make good use of the most suitable solution to import LNG by 2020 at the latest, the Council of Ministers decided, in June 2017, to assign to DEFA Ltd the announcement of two tenders for long-term supply of LNG and for a strategic investor for the required infrastructure.

Following a decision of the Council of Ministers of April 2018, a Special Purpose Vehicle - SPV under the name Natural Gas Infrastructure Ltd (ETYFA Ltd) was established which will implement the required infrastructure for the arrival of LNG.

In October 2018, DEFA Ltd, acting on behalf of ETYFA Ltd, published an invitation to tender for the design, construction and operation of the LNG import terminal station in the bay of Vasilikos. The tender was awarded to an international consortium in December 2019.

On the basis of Law on the Natural Gas Public Company of 2022 (Law 140(I)/2022) a legal person governed by public law was established under the name “Natural Gas Public Company” (DEFA), to engage in the supply of natural gas in the Republic of Cyprus, in the distribution and transmission of natural gas in the Republic of Cyprus, as well as in the development and operation of all infrastructure required to carry out its duties and responsibilities. According to this Law, any assets, obligations and rights or any licences held by the private limited liability company under the name DEFA Ltd are transferred to DEFA, and the employees who were employed by DEFA Ltd as of the date of entry into force of the Law are, from now on, employed by DEFA.

The entry of natural gas in the energy balance, in the context of the objectives of the energy policy for the diversification of the energy sources of the country and the protection of the environment, is an important decision in the energy sector.

Considering that the natural gas market in Cyprus is developing, the main goal is to create an organised market, according to the standards of the advanced global markets, and the best practices of the European natural gas market, with the proper operation of all stakeholders in the market, whether they are gas undertakings or bodies established by law.

CERA gives high priority to the fast and effective penetration of natural gas on competitive terms in the market of the Republic of Cyprus.

CERA’s obligations pertaining to the purchase of natural gas and its regulatory jurisdiction are defined in the Laws Regulating the Natural Gas Market of 2004 to 2022. CERA has set up the regulatory framework for the market, knowing that, as soon as natural gas arrives and market operation commences, it will act as a guarantee of proper market functioning and consumer protection in the derogation period, also ensuring a smooth transition to a healthy, open market.

In this context, in the period concerned, by its Decision 166/2023 of 2 June 2023, CERA issued guidelines to the Natural Gas Transmission System Operator regarding the charges imposed for connecting to the Natural Gas Transmission System.

Licensing

The licensing of natural gas related activities are regulated by the Laws Regulating the Natural Gas Market of 2004 to 2022 and the Natural Gas Market Regulations (Issuing Licences) (KDP 298/2006).

The licences issued by CERA, in accordance with Article 8 of the Laws Regulating the Natural Gas Market of 2004 to 2022, concern the following activities:

- Construction and/or operation of natural gas facilities and/or storage facility and/or pipeline networks, pipelines and similar equipment.
- Execution of the duties of the owner of the natural gas facility and/or storage facility and/or pipeline networks, pipelines and similar equipment.
- Execution of the duties of the operating system.
- Supply of natural gas, including to wholesale customers.
- Supply of natural gas to eligible customers.
- Supply of natural gas to non-eligible customers.
- Execution of the duties of the operator of the natural gas import/storage/transmission/distribution network.
- Execution of the duties of the owner of the natural gas import/storage/transmission/distribution network.

Natural Gas Supply Licence

In 2023, a licence was granted to the Natural Gas Public Company (DEFA) to supply natural gas to non-eligible customers.

6 CONSUMER PROTECTION AND COMPLAINT RESOLUTION

Consumer protection and complaint resolution

The Council of European Energy Regulators (CEER), in cooperation with all regulatory authorities, promote measures to implement the protection and upgrade of the rights of energy consumers and vulnerable consumers. A key measure is the support of CEER by the regulatory authorities, which announce the establishment of its new website that is exclusively focused on informing energy consumers.

The CEER website which is exclusively addressed to energy consumers is https://www.ceer.eu/consumers.

In order for CERA to ensure that consumers have access to all necessary information regarding their rights, current legislation and the means of appeal available in case of dispute, it is preparing informative material, which is available in electronic format at the Points of Single Contact, namely Citizen Service Centres and at the District Offices of the Ministry of Energy, Commerce and Industry (MECI).

Procedure for submitting consumer complaints

By Decision 88/2022, having regard to the Laws Regulating the Electricity Market (Complaint Handling Procedure) Regulations of 2005 (KDP 570/2005), CERA decided to define the Consumer Complaint Submission Procedure, which is posted on CERA's website, https://www.cera.org.cy/el-gr/katanalotes.

According to this procedure:

- Any energy consumer may submit a written complaint to the supplier and / or Owner of the Distribution System (ODS) and/or Distribution System Operator (DSO) regarding an alleged breach of its obligations, responsibilities and duties arising from electricity supply performance indicators or a breach in relation to any other matter falling within the obligations, responsibilities and duties of the supplier and/or the ODS and/or the DSO.

- The supplier and/or ODS and/or DSO shall respond to consumer complaints within the specified performance indicator deadline:

PERFORMANCE INDICATORS	SPECIFIED DEADLINE OR RESPONSE TIME
Response to complaints, requests, letters or information	20 days
Investigation into voltage-related complaints	30 days
Investigation into meter accuracy-related complaints	30 days
Response to bill-related complaint	3 days

- The supplier and/or ODS and/or DSO shall consider the complaint within the specified performance indicator deadline and inform the consumer of its decision or action on the complaint within the specified performance indicator deadline.

- If the consumer is not satisfied with the decision or action taken by the supplier and/or ODS and/or DSO, the consumer is entitled to submit a new complaint within seven days of receiving such decision or response by the supplier and/or ODS and/or DSO.

- A consumer may submit a written complaint to CERA if he or she is not satisfied with the response/decision by the supplier and/or ODS and/or DSO or if the supplier and/or ODS and/or DSO fail to respond to the complaint within the specified performance indicator deadlines or comply with the requirements set out in the performance indicators.

Only consumers that followed the above procedure and were not satisfied with the supplier and/or ODS and/or DSO may submit a written complaint to CERA.

Performance indicators

In exercising the powers conferred by the Laws Regulating the Electricity Market of 2021 to 2023, CERA has issued, with the approval of the Council of Ministers and after submission to the House of Representatives and approval by the latter, the Regulations Regulating the Electricity Market (Performance Indicators) of 2005 - KDP 571/2005.

Based on these Regulations, "Performance Indicators" means the indicators of the electricity supply and include the obligations of the supplies and the ODS the rights of the consumers, the performance standards and their performance levels, as well as the fine imposed if the Supplier and/or the Owner of the Distribution System fails to comply.

In the context of applying and complying with the above provisions, provided below for each Performance Indicator are the fine amounts paid to the electricity consumers by Electricity Authority of Cyprus, as the Owner of the Distribution System and Licenced Supplier. These amounts have been recorded for the period from 1 January 2023 to 31 December 2023. Also presented, for comparison purposes, are the corresponding results in previous years.

Performance Indicators for the Owner of the Distribution System

Fine paid by EAC (€) to electricity consumers

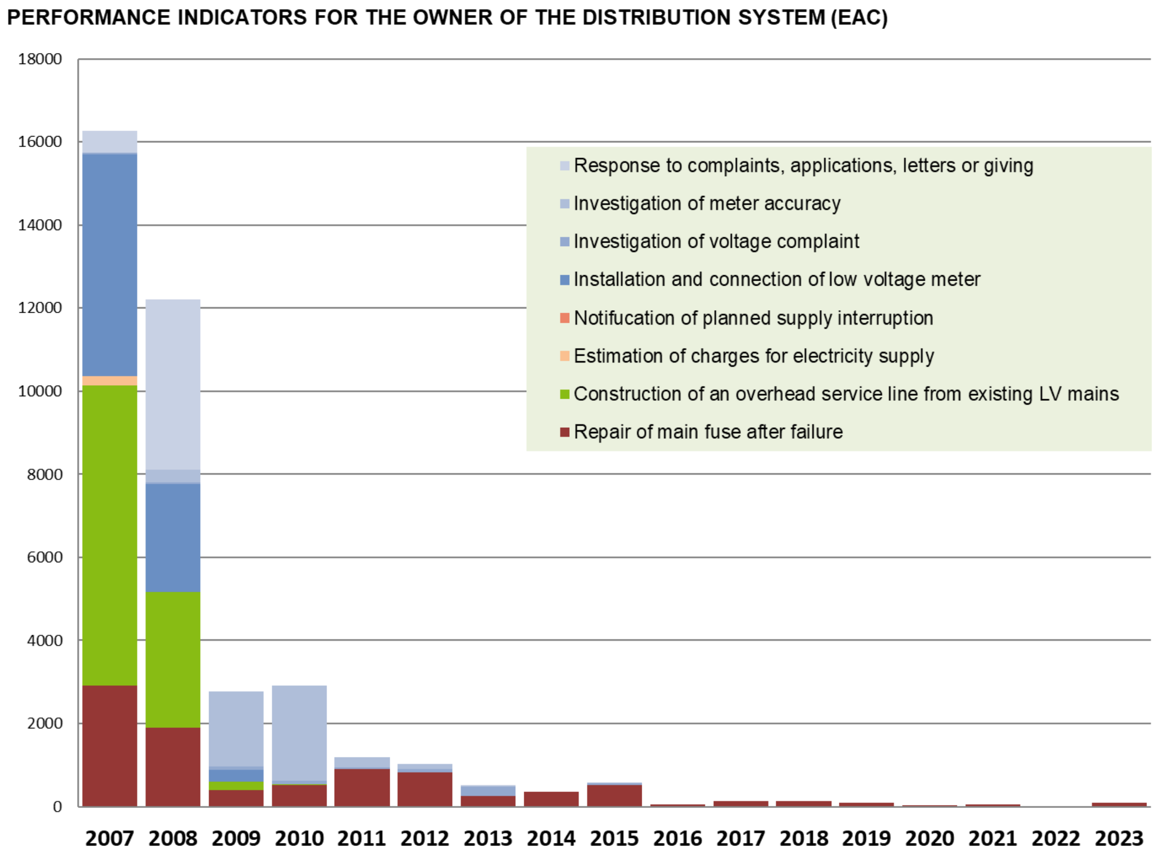


Figure 41 - Performance indicators for the ODS (EAC)

Fine paid by EAC (€) to electricity consumers

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Repair of main fuse after failure	2905	1896	393	529	914	828	265	367	521	60	137	137	94	34	43	9	94
2 Installation and connection of low voltage meter	5331	2605	290														
3 Construction of an overhead service line from existing LV mains	7227	3264	205	17													
4 Estimation of charges for electricity supply	239																
5 Notifucation of planned supply interruption																	
6 Investigation of voltage complaint	34	34	68	68	34	68	205		34								
7 Investigation of meter accuracy		308	1811	2289	239	137	31		34								
8 Response to complaints, applications, letters or giving	530	4102					17										

Table 3 - Performance indicators for the ODS (EAC)

Fine paid by EAC (€) to electricity consumers

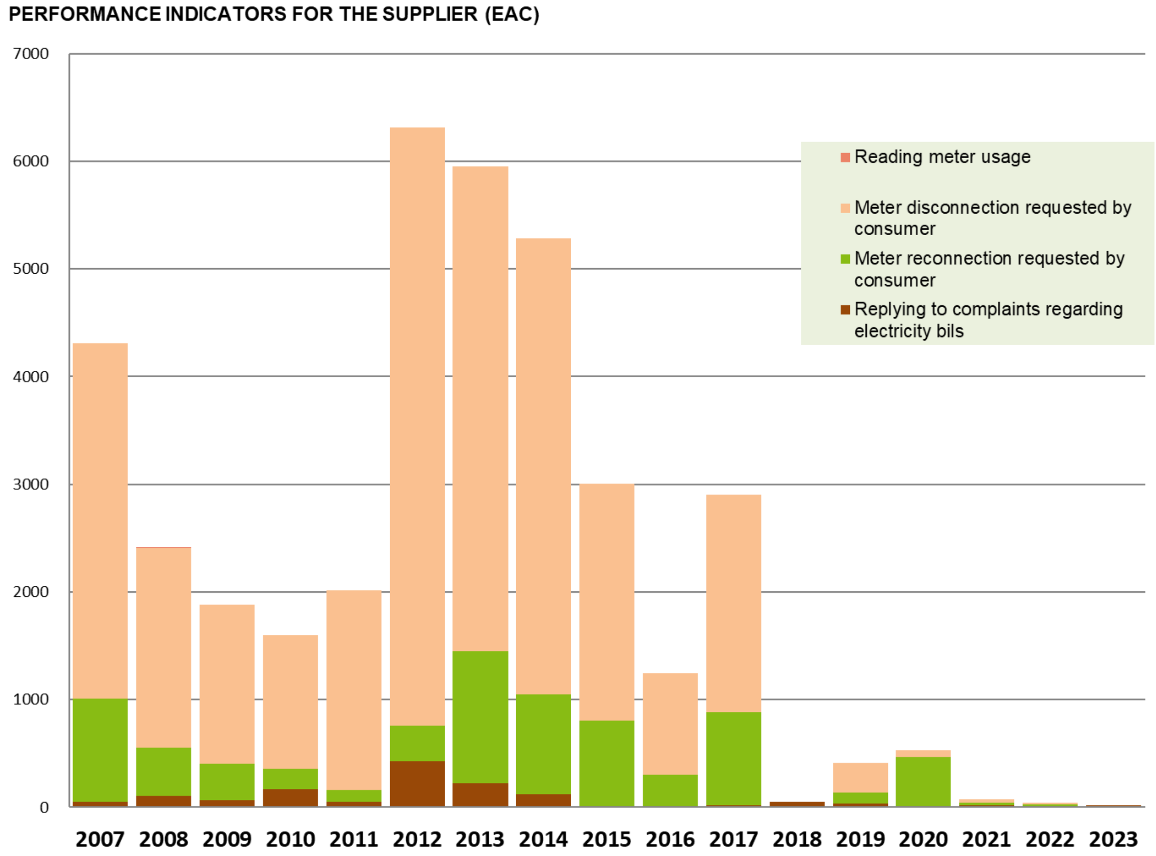


Figure 42 - *EAC Supplier performance indicators*

Fine paid by EAC (€) to electricity consumers

PERFORMANCE INDICATORS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Replying to complaints regarding electricity bils	51	103	68	171	51	427	222	120			17	51	34		17		17
2 Arrangement of appointments																	
3 Meter reconnection requested by consumer	957	453	333	188	111	333	1230	931	803	299	868		102	470	26	26	
4 Meter disconnection requested by consumer	3298	1853	1477	1238	1853	5551	4501	4231	2203	948	2015		273	60	34	17	
5 Reading meter usage		9															
6 Response to complaints, applications, letters or giving informations*																	

Table 4 - *EAC Supplier performance indicators*

* Indicator (6) is included in ODS Indicator (8)

Tables 4 and 5 and Figures 41 and 42 indicate that, in the year under review, the performances of EAC both as an ODS and a supplier showed improvement compared to previous years and are therefore considered satisfactory.

Complaints submitted to CERA

Figure 43 below details the type and number of complaints submitted to CERA in 2023. It should be noted that all complaints have been examined, and consumers have been informed accordingly.

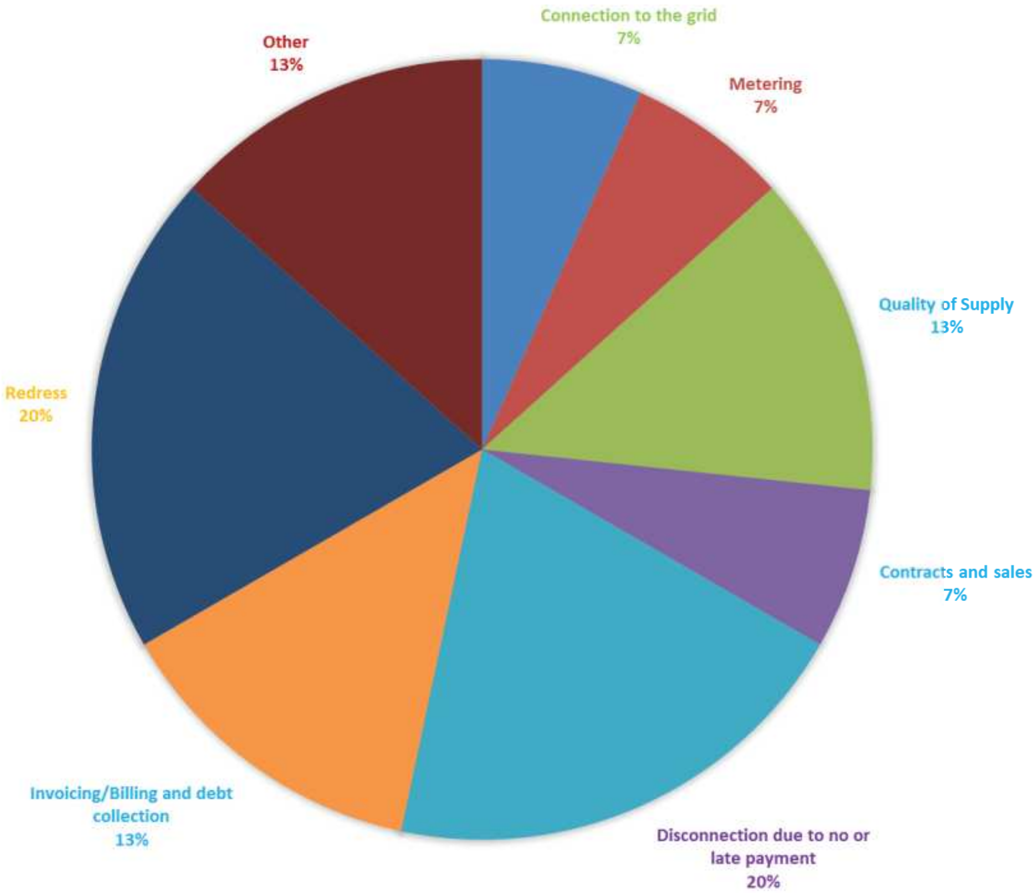


Figure 43 - *Complaints submitted to CERA in 2023*

7 REPORT AND FINANCIAL STATEMENTS OF CERA

For the year ended on 31 December 2023

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TOP MANAGEMENT

Top Management:	Dr Andreas Poullikkas - Chairman (Resigned on 31/10/2024) Philippos Philippou – Vice Chairman Neophytos Hadjigeorgiou - Member
Coordinating Contracting Authority:	Auditor General of the Republic of Cyprus
Independent Auditors:	VGDA Accountants Limited (As contractors of contract EY 2/2023, where the Coordinating Contracting Authority is the Audit Office of the Republic of Cyprus) Certified Accountants and Registered Auditors 25th Martiou 35 (Kennedy corner 32) 2nd Floor 1087 Nicosia, Cyprus
Financial Advisors:	Alliott Partellas Kiliaris Ltd Certified Public Accountants 77 Strovolos Ave., Strovolos Center, Office 201 2018, Strovolos Nicosia, Cyprus
Legal Advisers:	Orphanides, Christofides & Co LLC 41 Themistocles Dervis, Hawaii Tower Offices 301-303, 3rd floor 1066 Nicosia, Cyprus Stelios Americanos & Co LLC 12 Demostheni Severi 12 Office 601, 6th Floor 1080 Nicosia, Cyprus
Registered Office:	20 Agias Paraskevis 2002 Strovolos, Nicosia Cyprus
Bankers:	Bank of Cyprus Public Company Ltd Hellenic Bank Public Company Ltd Eurobank Cyprus Ltd Housing Finance Corporationς

CYPRUS ENERGY REGULATORY AUTHORITY

The Top Management of the Cyprus Energy Regulatory Authority (CERA) (the “Authority”) submits its report together with the Authority’s financial statements for the year ended 31 December 2023.

Principal activities and nature of operations of the Authority

The establishment of the Authority arises from the obligations of Cyprus towards the European Union. The Authority’s basic mission is the supervision of the operation of the Energy Market (Electricity and Natural Gas) in a new and liberalised environment without monopolies.

Review of current position, future developments and performance of the Authority’s business

The Authority’s development to date, financial results and position as presented in the financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Authority are disclosed in notes 6, 7, 29 and 31 of the financial statements.

Top Management

Top Management as at 31 December 2023 and as at the date of this report are shown on page 1.

In accordance with the Authority’s Articles of Association, all current members of the Top Management shall retain their office. In accordance with the Law on the Establishment and Operation of the Cyprus Energy Regulatory Authority (Law No. 129 (I)/2021), article 6 “Appointment, terms of appointment, remuneration and pension of the members of the Top Management”, the appointment of a person to the position of a member of the Top Management is for a period of five to seven years and is limited to a maximum of two consecutive terms.

Dr. Andreas Poullikkas, former Chairman, resigned on 31 October 2024. Philippos Philippou, Vice Chairman, has taken over the duties of Chairman on an interim basis.

Operating environment of the Authority

Any significant events relating to the Authority’s operating environment are described in note 29 to the financial statements.

Events after the reporting period

There were no significant events after the reporting period that are relevant to the understanding of the financial statements.

Related party transactions

Disclosed in note 30 of the financial statements.

Independent Auditors

The Independent Auditors, VGDA Accountants Limited, appointed by the Board of Directors to audit the financial statements for the year ended 31 December 2023 and the years ending 31 December 2024 and 31 December 2025, following a tender procurement by the Audit Office of the Republic - since the Auditor General of the Republic is the Independent Auditor of the Authority by law - in accordance with the Law on the Submission of Data and Information to the Auditor General of the Republic of 2002 and its subsequent amendments (Law 113(I)/2002), which gives the Auditor General of the Republic the right to assign, at his/her discretion, the audit of the financial statements of any legal person/organization under his control to licensed auditors or licensed auditing firms.

By order of the Top Management,

Philippos Philippou
Vice Chairman

Nicosia, Cyprus, 22 November 2024

Independent Auditor’s Report

To the Top Management of the Cyprus Energy Regulatory Authority (CERA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Cyprus Energy Regulatory Authority (the “Authority”), as presented on pages 7 to 43, which comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include significant accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the law regulating the Electricity Market.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Top Management of the Authority is responsible for any other information. The other information comprises the information included in the management report and the additional information to the statement of profit or loss and other comprehensive income in pages 44 to 49, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

EResponsibilities of Top Management for the Financial Statements

Top Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the law regulating the Electricity Market, and for such internal controls as the Top Management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Top Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Top Management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Top Management is responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. Moreover, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Top Management.

- Conclude on the appropriateness of the Top Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Among other matters, we communicate to Top Management the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Top Management Report has been prepared in accordance with the requirements of the law regulating the Electricity Market, and the information given is consistent with the financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified material misstatements in the Top Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Authority's Top Management as a body in accordance with Section 69 of the Auditors Law of 2017 and for the Auditor General of the Republic of Cyprus and for no other purpose. In giving this opinion, we do not accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Anthonis Antoniou
Certified Public Accountant and Registered Auditor
for and on behalf of
VGDA Accountants Limited
(As contractors of contract EY 2/2023, where the Coordinating Contracting Authority is the Audit Office of the Republic of Cyprus)
Certified Accountants and Registered Auditors
25th Martiou 35 (Kennedy corner 32)
2nd Floor
1087 Nicosia, Cyprus

22 November 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	Σημ.	€	€
Εισοδήματα	8	**2.453.793**	2.120.938
Other operating income	9	**227.595**	89.035
Administration expenses		**(2.962.632)**	(2.408.026)
Net impairment profit/(loss) on financial and contract assets		**9.186**	(27.629)
Operating deficit	10	**(272.058)**	(225.682)
Finance income		**73.224**	46.122
Finance costs		**(67.024)**	(81.524)
Net finance income/(costs)	13	**6.200**	(35.402)
Deficit before tax		**(265.858)**	(261.084)
Tax	14	**(8.231)**	(1.686)
Net deficit for the year		**(274.089)**	(262.770)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial increases or decreases in defined benefit plans		**(184.023)**	1.005.291
		(184.023)	1.005.291
Item that will or may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income - Fair value profits/(losses)		**154.440**	(456.000)
		154.440	(456.000)
Other comprehensive income for the year		**(29.583)**	549.291
Total (Deficit)/Surplus for the year		**(303.672)**	286.521

Οι σημειώσεις στις σελίδες 11 μέχρι 43 αποτελούν αναπόσπαστο μέρος αυτών των οικονομικών καταστάσεων.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Σημ.	2023 €	2022 €
ASSETS			
Non-current assets			
Property, plant and equipment	16	**105.833**	144.066
Right-of-use assets	17	**1.181.908**	1.350.752
Intangible assets	18	**5.777**	3.267
Financial assets at fair value through other comprehensive income	19	**2.880.390**	2.725.950
Financial assets at fair value through profit or loss	21	**355.296**	179.763
		4.529.204	4.403.798
Current assets			
Trade and other receivables	20	**334.957**	197.743
Trade and other receivables	22	**7.616.922**	7.503.225
		7.951.879	7.700.968
Total assets		**12.481.083**	12.104.766
RESERVES AND LIABILITIES			
Reserves			
Other reserves		**(109.997)**	(264.437)
Other reserves		**6.631.240**	7.095.207
Total reserves		**6.521.243**	6.830.770
Non-current liabilities			
Lease liabilities	24	**1.084.651**	1.238.120
Provisions for other liabilities and charges	12, 25	**2.158.080**	1.400.332
		3.242.731	2.638.452
Current liabilities			
Trade and other payables	26	**297.040**	184.857
Trade and other payables	27	**2.235.294**	2.211.555
Borrowings	23	**3.436**	3.676
Lease liabilities	24	**153.468**	145.814
Current tax liabilities	28	**7.720**	3.777
Provisions for other liabilities and charges	12, 25	**20.151**	85.865
		2.717.109	2.635.544
Total liabilities		**5.959.840**	5.273.996
Total reserves and liabilities		**12.481.083**	12.104.766

On 22 November 2024, the Top Management of the Cyprus Energy Regulatory Authority authorised these financial statements for issue.

....
Philippos Philippou
Vice Chairman

....
Neophytos Hadjigeorgiou
Member

Οι σημειώσεις στις σελίδες 11 μέχρι 43 αποτελούν αναπόσπαστο μέρος αυτών των οικονομικών καταστάσεων.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Σημ.	Fair value reserve - Financial assets at fair value through other comprehensive income €	Retained surplus €	Total €
Balance at 1 January 2022		191.563	6.357.557	6.549.120
Comprehensive income				
Net deficit for the year		-	(262.770)	(262.770)
Other comprehensive income for the year		(456.000)	-	(456.000)
Defence contribution to deemed dividend distribution	15	-	(4.871)	(4.871)
Other changes				
Actuarial gain for the year		-	1.005.291	1.005.291
Balance at 31 December 2022 / 1 January 2023		**(264.437)**	**7.095.207**	**6.830.770**
Comprehensive income				
Net deficit for the year		-	(274.089)	(274.089)
Other comprehensive income for the year		154.440	-	154.440
Defence contribution to deemed dividend distribution	15	-	(5.855)	(5.855)
Other changes				
Actuarial loss for the year		-	(184.023)	(184.023)
Balance at 31 December 2023		(109.997)	6.631.240	6.521.243

The fair value reserve for investments represents accumulated gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend. An extraordinary defence contribution of 17% will be payable on this deemed dividend distribution to the extent that the shareholders, at the end of the two-year period from the end of the tax year to which the profits relate, are tax residents of Cyprus and are considered to be domiciled in Cyprus. As of March 1, 2019, the deemed dividend distribution is subject to a 1.70% contribution to the General Health System, which increased to 2.65% as of March 1, 2020, with the exception of the period from April 2020 to June 2020 when the rate was 1.70%. This amount of the deemed dividend distribution is reduced by any actual dividend already distributed for the year to which the profits relate. This extraordinary defence contribution shall be paid by the Authority.

In the case of public law bodies, the term profit is limited to surpluses arising from the conduct of business. In the case of the Authority, the imputed distribution was calculated on the interest receivable.

Οι σημειώσεις στις σελίδες 11 μέχρι 43 αποτελούν αναπόσπαστο μέρος αυτών των οικονομικών καταστάσεων.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Σημ.	2023 €	2022 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before tax		**(265.858)**	(261.084)
Adjustments for:			
Depreciation of property, plant and equipment	16	**40.213**	40.049
Depreciation of right-of-use assets	17	**168.844**	168.844
Amortisation of computer programs	18	**2.355**	1.633
Fair value gains on financial assets at fair value through profit or loss		**(175.533)**	(67.675)
Actuarial (loss) / gain		**(184.023)**	1.005.291
Impairment charge/(reversal of impairment) on cash and cash equivalents	22	**(9.186)**	27.795
Reversal of impairment of trade receivables	20	**-**	(166)
Dividends income	13	**(5.287)**	-
Interest income	13	**(67.937)**	(46.122)
Interest expense	13	**59.113**	56.863
		(437.299)	925.428
Changes in working capital:			
Increase in trade and other receivables Increase in trade and other receivables		**(137.214)**	(85.847)
Increase/(decrease) in other financial liabilities		**240**	(3.052)
Increase in trade and other payables		**111.700**	39.387
Increase in deferred income		**23.739**	112.856
Increase/(decrease) in provisions	25	**692.034**	(900.629)
Cash generated from operations		**253.200**	88.143
Tax (paid)/refunded		**(4.288)**	623
Net cash generated from operating activities		**248.912**	88.766
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the purchase of intangible assets	18	**(4.865)**	(4.900)
Payment for the purchase of property, plant and equipment	16	**(1.980)**	(16.036)
Interest received		**67.937**	46.122
Dividends received		**5.287**	-
Net cash generated from investing activities		**66.379**	25.186
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities		**(203.937)**	(199.485)
Interest paid		**(988)**	(7.990)
Defence contribution on deemed distribution paid		**(5.855)**	(4.871)
Net cash for financing activities		**(210.780)**	(212.346)
Net increase/(decrease) in cash and cash equivalents		**104.511**	(98.394)
Cash and cash equivalents at the beginning of the year		**7.503.225**	7.629.414
Impairment charge/(reversal of impairment) on cash and cash equivalents		**9.186**	(27.795)
Cash and cash equivalents at the end of the year	22	**7.616.922**	7.503.225

Οι σημειώσεις στις σελίδες 11 μέχρι 43 αποτελούν αναπόσπαστο μέρος αυτών των οικονομικών καταστάσεων.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. Incorporation and principal activities

Country of incorporation

The Cyprus Energy Regulatory Authority (CERA) (the "Authority") was established in Cyprus on 21 January 2004 as a legal entity governed by public law, based on Law 122(I)/2003 which was replaced by Law 129(I)/2021. On the same date and by the same Law, the Office of the Authority was incorporated and operates as a separate legal entity. The Authority supervises and controls the Office of the Authority. Its registered office is at 20, Agias Paraskevis, 2002 Strovolos, Nicosia, Cyprus. The financial statements relate to the Authority and the Office of the Authority.

Principal activities

The establishment of the Authority arises from the obligations of Cyprus towards the European Union. The Authority's basic mission is the supervision of the operation of the Energy Market (Electricity and Natural Gas) in a new and liberalised environment without monopolies.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Law regulating the Electricity Market. The financial statements have been prepared under the historical cost convention as modified by the fair value option.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates and the exercise of judgement by Top management in the process of applying the Authority's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Although these estimates are based on the best possible knowledge of the Members of Top Management regarding current conditions and actions, actual results may ultimately differ from these estimates.

3. Adoption of new or revised standards and interpretations

During the current year the Authority adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Authority.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Management seeks to avoid reducing the understandability of these financial statements by obscuring material information with immaterial information. Therefore, only material accounting policy information is disclosed, where applicable, in the relevant disclosure notes.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Authority estimates it is entitled in return for the transfer of promised goods and services to customers, excluding amounts received on behalf of third parties (e.g. VAT). The Authority includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimates of the amount of rebates/discounts to be given are based on the Authority's accumulated past experience with similar contracts and projected sales to customers.

The Authority recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the legal entity can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Authority's future cash flows is expected to change as a result of the contract), it is probable that the Authority will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Authority's contracts with customers.

The Authority bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Authority considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any increases or decreases that may arise in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances giving rise to the revision are brought to the attention of Top Management.

Identification of performance obligations

The Authority assesses whether contracts that involve the provision of a series of goods or services include one or more performance obligations (i.e. distinct promises to transfer goods/services) and allocates the transaction price to each performance obligation in accordance with its relative standalone selling price. A good or service to the customer is distinct if the customer can benefit from the good or service, either individually or together with other resources that are readily available to the customer (i.e. the good or service has the potential to be distinct) and the Authority's promise to transfer the good or service to the customer can be identified separately from other promises contained in the contract (i.e. the good or service is distinct within the contract).

Revenue is measured at the consideration to which the Authority estimates it is entitled under the contract with the customer and excludes amounts received on behalf of third parties. The Authority recognises revenue when it transfers control of a good or service to a customer.

- **Revenue from fees**
  Fee income consists of the invoice value of fees relating to the granting of licences. Revenue from fees is recognised based on the period to which the relevant licence refers.

- **Interest income**
  Interest income is recognised when it is probable that the economic benefits will flow to the Authority and the amount of the income can be reliably estimated. Interest income is recognised on a time proportion basis in relation to the outstanding principal and the appropriate effective interest rate.

- **Dividends received**
  Dividends are recognised from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other comprehensive income in profit or loss when the Authority's right to receive them is established. This is true even when they are paid out of pre-acquisition profits, unless the dividend represents a pure recovery of part of the cost of an investment. In this case, the dividend is recognised in Other Comprehensive Income if it relates to an investment measured at fair value through Other Comprehensive Income.

Employee benefits
The Authority operates a defined benefit plan which will be funded as in the Public Sector, via the Annual Budget. Benefits are paid on retirement, death or resignation of an employee. The amount of the benefit depends on the duration of service and the level of income of the employee.

The Authority and its employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition the Authority provides retirement benefits in the form of lump sum amounts based on a fixed benefit retirement plan to its employees. The Authority's contributions are expensed as incurred and are included in staff costs. The Authority has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The present value of obligations and the cost of current service for the defined benefit plan are estimated annually with the projected unit credit method. Actuarial gains or losses result from changes in the interest rate by which estimated future cash outflows for benefits and other actuarial assumptions are discounted. Non-recorded actuarial gain or loss is recognised by the Authority at the beginning of the year.

Finance income

Finance income includes interest receivable calculated using the effective interest method.

Finance costs

Interest and other borrowing costs are written off in the profit or loss as incurred.

Tax

The fees received by the Authority under the Law regulating the Electricity Market and the relevant Regulations, as a result of executing its supervisory role, are not deemed to be income as this is defined in article 5(1)(a) of the Income Tax Law and are not subject to taxation. The same applies to government grants that the Authority has received in order to be able to exercise its supervisory role. Income from rent or any other source, is subject to taxation with the tax rate of 12.5% and to defence contribution, after deducting any allowable deduction as provided by the Law.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Computer hardware	20
Office equipment	10
Motor vehicles	20
Furniture, fixtures and office equipment	10
Books	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Authority. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred income
Deferred income includes receipts for income relating to a subsequent financial period.

Computer software
Costs that are directly associated with identifiable and unique computer software products controlled by the Authority and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Costs that improve or extend the performance of software programmes beyond their original specifications are capitalised. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leases
At inception of a contract, the Authority assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified

asset, the Authority assesses whether:

- the contract includes the use of an identified asset - this may be specified explicitly or by implication and must be physically distinguishable or represent substantially all the capacity of a physically distinguishable asset. If the supplier retains the substantive right to substitute the asset, then the asset is not identified.

- the Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Authority has the right to direct the use of the asset. The Authority has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Authority has the right to direct the use of the asset if either:

  - the Authority has the right to operate the asset; or
  - the Authority designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract containing a lease component, , the Authority allocates the consideration for the contract to each leased asset based on the relevant stand-alone values. However, for leases of land and buildings where it is the lessee, the Authority has chosen not to separate the leased and non-leased components and to treat the leased and non-leased components as a single lease component..

The Authority as lessee

The Authority recognises a right to use an asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that remain outstanding at the commencement date of the lease. Lease payments are discounted using the incremental borrowing rate, provided that this can be readily determined. If such rate cannot be easily determined, the Authority uses the Authority’s differential interest rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or interest rate, which are initially measured using the index or interest rate at the beginning of the lease term;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price of any purchase right if it is reasonably certain that the Authority will exercise that right; the rents payable in any optional extension period, if it is reasonably certain that the Authority will exercise that right to renew the contract, and the payment of penalties for early termination of contracts, unless it is relatively certain that the Authority will not terminate any contract early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Authority presents its right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" in the statement of financial position.

The lease liabilities are presented in "loans and borrowings" in the statement of financial position.

Short-term leases and leases of low-value assets

The Authority has elected not to recognise the right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets (i.e. IT equipment, office equipment etc.). The Authority recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets - Classification
The Authority classifies the financial assets in the following measurement categories:

- Those subsequently measured at fair value (either through Other Comprehensive Income or through profit or loss); and

- Those measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on (i) the Authority's business model for managing the relevant portfolio of financial assets and (ii) the characteristics of the contractual cash flows of the financial asset. On initial recognition, the Authority may irrevocably designate a debt financial asset that otherwise meets the requirements for measurement at amortised cost or fair value through other comprehensive income or fair value through profit or loss if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity securities not held for trading, the classification will depend on whether the Authority has irrevocably determined at initial recognition that the equity investment should be accounted for at fair value through other comprehensive income. This determination is made on an investment-by-investment basis.

All other financial assets are classified at fair value through profit or loss.

For assets measured at fair value, gains and losses will be recognised either in profit or loss or in other comprehensive income. For investments in equity securities not held for trading, this will depend on whether the Authority made an irrevocable choice at initial recognition to account for the equity investment at fair value through other comprehensive income.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date when the Authority commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

On initial recognition, the Authority measures a financial asset at fair its value and, in addition, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recognised as an expense in profit or loss. Fair value on initial recognition is recognised only if there is a difference between the fair value and the transaction price that can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only observable market data.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely repayments of principal and interest.

Financial assets - impairment - credit loss allowance for ECL

The Authority assesses on a forward-looking basis the expected credit losses (ECL) for debt instruments (including loans) measured at amortised cost and fair value through Other Comprehensive Income and with exposure arising from loan commitments and financial guarantee contracts. The Authority measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within “net impairment losses on financial and contract assets”. Subsequent recoveries of amounts for which a credit loss had previously been recognised are credited to the same item in the statement of other comprehensive income.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at fair value through other comprehensive income, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in Other Comprehensive Income rather than the carrying amount of those instruments.

The impairment methodology applied by the Authority for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Authority applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Authority applies general approach - three stage model for impairment. The Authority applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Authority identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Authority determines when a SICR has occurred. If the Authority determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Authority's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Authority has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Authority determines low credit risk financial assets.

Financial assets - Reclassification
Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - Write-off
Financial assets are written-off, in whole or in part, when the Authority exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Authority may write-off financial assets that are still subject to enforcement activity when the Authority seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - Modification
The Authority sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Authority assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Authority derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Authority also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

n a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Authority compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Authority recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss. (FVTPL).

Classification as financial assets at amortised cost
These amounts generally arise from transactions outside the usual operating activities of the Authority. They are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

ITrade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Authority holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Authority applies the simplified method of IFRS 9 for measuring expected credit losses, which uses a provision for impairment on all trade receivables over their lifetime. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Authority, and a failure to make contractual payments for a period of greater than 180 days past due.

Financial liabilities - measurement categories
Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities are derecognised when the liability is discharged or cancelled or expires.

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities - Modifications
An exchange between the Authority and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Prepayments
Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Authority has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Authority. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Provisions
Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Authority expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities
Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. New accounting announcements

At the date of approval of these financial statements, the International Accounting Standards Board had issued standards and interpretations that were not yet effective. Some of them were adopted by the European Union and others not yet. Top Management expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Authority.

6. Financial risk management

Financial risk factors

The Authority is exposed to market price risk, interest rate risk, credit risk, liquidity risk, other market price risk and reputation risk arising from the financial instruments it holds. The policy applied by the Authority in managing risks in order to control them is explained below:

6.1 Market price risk

The Authority is exposed to equity securities price risk because of equity investments held by the Authority and classified on the statement of financial position either as fair value through other comprehensive income or at fair value through profit or loss. The Authority is not exposed to commodity price risk.

6.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Authority's income and operating cash flows are substantially independent of changes in market interest rates as the Authority has no significant interest-bearing assets. The Authority is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Authority to cash flow interest rate risk. Borrowings issued at fixed rates expose the Authority to fair value interest rate risk. Top Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2023	2022
	€	€
Fixed rate financial instruments		
Financial assets	**7.644.592**	7.503.225
	7.644.592	7.503.225

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2023 would have increased/(decreased) equity capital and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and equity capital.

	Profit or loss	
	2023	2022
	€	€
Variable rate financial instruments	**76.446**	75.032
	76.446	75.032

6.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Authority has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ["C"].

If customers are assessed by an independent party, the Authority uses such assessments. Otherwise, if there is no independent rating, the Authority assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by Top Management. Use of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Authority's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Authority to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Authority has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets at fair value through Other Comprehensive Income
- cash and cash equivalents
- credit commitments

The impairment methodology applied by the Authority for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Authority applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial instruments that are subject to impairment under IFRS 9, the Authority applies general approach - three stage model for impairment. The Authority applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Authority identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is

transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Authority determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Authority considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Authority compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. In particular, the following indicators are incorporated:

- Internal credit rating
- external credit rating (if available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Authority and changes in the operating results of the borrower/counterparty

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Authority has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Low credit risk

The Authority has decided to use the low credit risk assessment exemption for investment grade financial assets. Top Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Default
A default on a financial asset is when the counterparty has not made contractual payments within 90 days of the due date.

Write-off
Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Authority. The Authority classifies a debt financial asset as a write-off when the debtor fails to make contractual payments that are more than 180 days past due. Where debt financial assets have been written off, the Authority continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Authority's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Trade receivables and contract assets
The Authority applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including trade receivables with a significant financing component), and contractual assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Authority has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Authority has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Authority always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

There were no significant trade receivable and contract asset balances written off during the year that are subject to enforcement activity.

Financial assets at amortised cost, debt securities held at fair value through other comprehensive income
All investments in debt securities held at fair value through other comprehensive income and at amortised cost are considered to have low credit risk and the provision for losses recognised during the period was therefore limited to 12 months expected losses. Refer to the above section for a description of how the Authority determines low credit risk financial assets.

There were no significant investments in securities held at fair value through other comprehensive income and financial assets at amortised cost that were written off during the period subject to enforcement activities.

The Authority does not hold any collateral as security for any financial assets at amortised cost and investments in debt securities held at fair value through other comprehensive income.

Cash and cash equivalents

The Authority assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account the ratings of external credit rating agencies and internal ratings if external ratings are not available.

Bank deposits in “investment grade” banks are considered low credit risk.

The gross carrying amounts indicated below represent the Authority’s maximum exposure to credit risk on these assets as at 31 December 2023 and 31 December 2022::

Internal credit rating of the Authority	External credit rating from Moody’s agency	2023	2022
		€	€
Performing	Baa3	**5.134.189**	4.451.719
Performing	B1	**-**	3.051.506
Performing		**2.482.740**	-
Total		**7.616.929**	7.503.225

Expected credit losses on current accounts are considered to be approximate to 0, unless the bank is subject to capital controls. Expected credit losses on deposit accounts are calculated taking into account Moody’s published PDs and an LGD between 40-60% as published by the ECB.

The Authority does not hold any collateral as security for any of the cash in the bank.

There was no significant cash in the bank that was written off during the period subject to enforcement activities.

(iii) Net impairment losses on financial and contractual assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets and contract assets:

Impairment of losses	2023	2022
	€	€
Impairment charge on cash and cash equivalents	**-**	(43.726)
Impairment of cash and cash equivalents	**9.186**	15.931
Reversal of Impairment of trade receivables	**-**	166
Net impairment profit/(loss) on financial and contract assets	**9.186**	(27.629)

(iv) Financial assets at fair value through profit or loss

(v) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Authority will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Authority is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Authority monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

6.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Authority has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Authority's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Authority can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Lease liabilities	1.238.119	1.238.119	-	153.468	337.494	586.755	160.402
Bank overdrafts	3.436	3.436	3.436	-	-	-	-
Trade and other payables	280.931	280.931	280.931	-	-	-	-
	1.522.486	**1.522.486**	**284.367**	**153.468**	**337.494**	**586.755**	**160.402**

31 December 2022	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Lease liabilities	1.383.934	1.383.934	-	145.814	317.974	552.340	367.806
Bank overdrafts	3.676	3.676	3.676	-	-	-	-
Trade and other payables	168.433	168.433	168.433	-	-	-	-
	1.556.043	**1.556.043**	**172.109**	**145.814**	**317.974**	**552.340**	**367.806**

6.5 Other market price risks

The general economic environment prevailing in Cyprus and internationally may affect the Authority's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product (GDP) are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Authority.

6.6 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Authority's operations, whether true or false, may result in a reduction of its clientele, reduction in revenue and legal cases against the Authority. The Authority applies procedures to minimise this risk.

Fair value estimation

The fair values of the Authority's financial assets and liabilities are approximately the same as the amounts presented in the statement of financial position.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The market price used for the financial assets held by the Authority is the bid price. The appropriate market price for financial liabilities is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Authority uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

7. Critical accounting estimates, judgements and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates and requires the Top Management to exercise its judgment in the process of applying the Authority's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Although these estimates are based on Top Management's best knowledge of current conditions and actions, the actual results may ultimately differ from these estimates.

Accounting estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances..

Critical accounting estimates and assumptions

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Leases
  The Authority has an enforceable extension option for three years. The Authority has assessed whether the extension option is reasonably certain to be exercised by considering the terms of the agreement and has concluded that it is not reasonably certain that will be exercised.

- Amount payable under residual value guarantees
  The Authority initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Authority does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

- Calculation of loss allowance
  When measuring expected credit losses the Authority uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The loss in the event of default is an estimate of the loss that would occur in the event of default and is based on the difference between the contractual cash flows and those expected to be received, taking into account any cash flows from collateral and contractual support that are part of the contractual terms and are not recognised separately. The probability of default is a key factor in the measurement of expected credit losses. The probability of default is an estimate of the probability of default for a given period and its calculation involves historical information, estimates and assessments of future conditions.

Critical estimates in applying the Authority's accounting policies

- **Impairment of financial assets**
  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Authority uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Authority's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- **Retirement benefits**
  The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases where necessary. The Authority sets these assumptions based on market expectations at the reporting date using best-estimates for each parameter covering the period over which obligations are to be settled. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
  Impairment of non-financial assets
  The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

- **Impairment of intangible assets**
  Intangible assets are initially recognised at cost and amortised using the straight-line method over their estimated useful lives. For intangible assets acquired in business combinations, the cost of acquisition is deemed to be their fair value at the date of the transaction. Intangible assets with an indefinite life are tested for impairment at least once a year. This test is performed by discounting the future cash flows expected to arise from the use of the intangible assets using a discount rate that reflects current market assessments and the risks associated with the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

- **Useful life of depreciable assets**
  Top Management assesses the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Authority. However, actual results may differ due to technological obsolescence, misuse and other factors th**at are not easily predictable.**

- **Provisions**
  The amount recognised for provisions is calculated on the basis of the past experience of Top Management and the Authority's future expectations. However, the actual outcome may differ from the amount recognised.

8. Revenue

Disaggregation of revenue	2023	2022
	€	€
Annual Fees	**2.265.320**	1.945.247
Rendering of services	**188.473**	175.691
	2.453.793	2.120.938

9. Other operating income

	2023	2022
	€	€
Fair value gains on financial assets at fair value through profit or loss	**175.533**	67.676
Sundry operating income	**52.062**	21.359
	227.595	89.035

10. Operating surplus

	2023	2022
	€	**€**
Operating (deficit) is stated after charging the following items:		
Amortisation of computer software (included in "Administration expenses") (Note 18)	**2.355**	1.633
Depreciation of property, plant and equipment (Note 16)	**209.057**	208.893
Staff costs including Top Management in their executive capacity (Note 11)	**2.140.071**	1.620.417
Auditors' remuneration - current year	**3.084**	3.082
	(2.000)	(10.000)

11. Staff costs

	2023	2022
	€	**€**
Salaries	**1.452.975**	1.305.118
Social security costs	**249.754**	204.156
Pensions	**25.123**	-
Pensions	**412.219**	111.143
	2.140.071	1.620.417

12. Employee benefits

The Authority provides retirement benefits in the form of lump sum amounts based on a fixed benefit retirement plan to its employees. The Authority's policy is to carry out every year an independent actuarial valuation of the liabilities with regard to the retirement benefit scheme.

The most recent actuarial valuation was carried out as at 31 December 2023 and it was based on the following assumptions:

	2023	2022
Discount rate	3.42%	3.83%
Expected return on assets	3.42%	3.83%
Inflation	2.50%	2.50%
General salary increase	0.00%	0.50%
Total salary increase	1.667% + for the general increase of salaries and incremental promotions	1.75% + for the general increase of salaries and incremental promotions
Percentage increase in pensions	1.667%	1.50%
Increase of pension insurable earnings	2.50%	2.50%
Increase of basic insurable earnings	2.50%	2.50%
Mortality table	60% of PA90 for men and 65% of PA90 for women	60% of PA90 for men and 65% of PA90 for women

During the year an amount of €412,219 (2022: €111,143) was charged to profit or loss based on the above actuarial valuation. Amounts charged to profit or loss are analysed as follows:

	2023	**2022**
	€	€
Current service costs	**61.750**	81.084
Interest on obligation	**68.758**	30.059
Charge to profit or loss - prior year revision	**281.711**	-
	412.219	111.143

Movement in the accumulated provision with respect to the retirement plan liabilities as shown in other liabilities is as follows:

	2023	**2022**
	€	€
Balance at 1 January	**1.486.197**	2.386.826
Provision for the year	**412.219**	111.143
Actuarial Loss/(Gain) on the liability	**278.036**	(1.005.291)
Payments of benefits	**(29.530)**	(25.416)
Contributions by Top Management	**31.309**	18.935
Balance at 31 December	**2.178.231**	1.486.197

As at 31 December 2023, the calculated actuarial position was as follows:

	2023	**2022**
	€	€
Value of plan obligations	**2.178.231**	1.486.197
Provision for plan liabilities recognised in the statement of financial position	**2.178.231**	1.486.197

13. Financing income/(costs)

	2023	2022
	€	€
Interest income	**67.937**	46.122
Dividends income	**5.287**	-
Finance income	**73.224**	46.122
Interest expense on lease liabilities	**(58.910)**	(51.363)
Interest expense	**(203)**	(5.500)
Sundry finance expenses	**(7.911)**	(24.661)
Finance costs	**(67.024)**	(81.524)
Net finance income/(costs)	**6.200**	(35.402)

14. Tax

	2023	**2022**
	€	€
Defence contribution	**8.231**	1.686
Charge for the year	**8.231**	1.686

Under certain conditions interest income may be subject to defence contribution at the rate of 30%.

According to the Laws Regulating the Electricity Market and related Regulations, the fees collected by the Authority by practising its supervisory role are not considered an income under the Law of Income Taxation and article 5 (1)(a), and are not subject to taxation. The same applies for the government grants the Authority receives in order to be able to perform its supervisory duties. Income from rent or any other source, is subject to taxation with the tax rate of 12.5% and to defence contribution, after deducting any allowable deduction as provided by the Legislation.

The tax on the Authority's profit or loss before taxation differs from the theoretical amount that would result from applying the applicable tax rates as follows:

	2023	2022
	€	€
Deficit before tax	**(265.858)**	(261.084)
Tax calculated at the applicable tax rates	**(33.232)**	(32.636)
Tax effect of expenses not deductible for tax purposes	**91.607**	48.873
Tax effect of allowances and income not subject to tax	**(58.375)**	(16.237)
Defence contribution - current year	**8.231**	1.686
Tax charge	**8.231**	1.686

15. Dividends

Ανάλυση εσόδου	2023	2022
	€	€
Defence contribution to deemed dividend distribution	**5.855**	4.871
	5.855	4.871

Deemed dividends are subject to special contribution for defence at 17% for shareholders that are both Cyprus tax resident and Cyprus domiciled.

16. Property, plant and equipment

	Computer equipment	Office equipment	Motor vehicles	Furniture, fixtures and office equipment	Books	Total
	€	€	€	€	€	€
Cost						
Balance at 1 January 2022	225.325	124.596	24.968	120.555	6.287	501.731
Additions	12.051	3.045	-	390	550	16.036
Balance at 31 December 2022 / 1 January 2023	**237.376**	**127.641**	**24.968**	**120.945**	**6.837**	**517.767**
Additions	-	-	-	1.980	-	1.980
Balance at 31 December 2023	**237.376**	**127.641**	**24.968**	**122.925**	**6.837**	**519.747**
Depreciation						
Balance at 1 January 2022	128.175	86.306	24.968	88.854	5.347	333.650
Charge for the year	28.884	6.101	-	4.859	207	40.051
Balance at 31 December 2022 / 1 January 2023	**157.059**	**92.407**	**24.968**	**93.713**	**5.554**	**373.701**
Charge for the year	28.860	6.101	-	5.055	197	40.213
Balance at 31 December 2023	**185.919**	**98.508**	**24.968**	**98.768**	**5.751**	**413.914**
Net book amount						
Balance at 31 December 2023	**51.457**	**29.133**	**-**	**24.157**	**1.086**	**105.833**
Balance at 31 December 2022	**80.317**	**35.234**	**-**	**27.232**	**1.283**	**144.066**

17. Right-of-use assets

	Buildings
	€
Cost	
Balance at 1 January 2022	803.630
Adjustment to right-of-use assets	715.966
Balance at 31 December 2022 / 1 January 2023	**1.519.596**
Balance at 31 December 2023	**1.519.596**
Depreciation	
Balance at 1 January 2022	370.906
Charge for the year	168.844
Adjustment to right-of-use assets	(370.906)
Balance at 31 December 2022 / 1 January 2023	**168.844**
Charge for the year	168.844
Balance at 31 December 2023	**337.688**
Net book amount	
Balance at 31 December 2023	**1.181.908**
Balance at 31 December 2022	**1.350.752**

Amounts recognised in profit or loss:

	2023	**2022**
	€	€
Depreciation expense on right-of-use assets	**168.844**	168.844
Interest expense on lease liabilities	**(58.910)**	(58.910)

18. Intangible assets

	Computer software €
Cost	
Balance at 1 January 2022	16.841
Additions	4.900
Balance at 31 December 2022 / 1 January 2023	**21.741**
Additions	4.865
Balance at 31 December 2023	**26.606**
Depreciation	
Balance at 1 January 2022	16.841
Depreciation for the year (Note 10)	1.633
Balance at 31 December 2022 / 1 January 2023	**18.474**
Depreciation for the year (Note 10)	2.355
Balance at 31 December 2023	**20.829**
Net book amount	
Balance at 31 December 2023	**5.777**
Balance at 31 December 2022	**3.267**

19. Financial assets at fair value through other comprehensive income

	2023 €	2022 €
Balance at 1 January	**2.725.950**	3.181.950
Revaluation difference transferred to equity capital	**154.440**	(456.000)
Balance at 31 December	**2.880.390**	2.725.950

	Κόστος		Εύλογη αξία	
	2023 €	2022 €	2023 €	2022 €
Bonds	**2.990.387**	2.990.387	**2.880.390**	2.725.950
	2.990.387	2.990.387	**2.880.390**	2.725.950

Details of the investments are as follows:

	2023 €	2022 €
Government Bonds of the Republic of Cyprus	**2.880.390**	2.725.950
	2.880.390	2.725.950

20. Trade and other receivables

	2023	2022
	€	€
Trade receivables	**166.236**	59.397
Deposits and prepayments	**114.250**	104.059
Accrued income	**54.471**	32.328
Other receivables	**-**	1.959
	334.957	197.743

The Authority has not recognised a loss for the impairment of its trade receivables during the year ended 31 December 2023 (2022: €-).

The Authority does not hold any collateral in relation over the trade receivables.

The exposure of the Authority to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the financial statements.

21. Financial assets at fair value through profit or loss

	2023	2022
	€	€
Balance at 1 January	**179.763**	112.088
Change in fair value	**175.533**	67.675
Balance at 31 December	**355.296**	179.763
Less non-circulating part	**(355.296)**	(179.763)

Financial assets at fair value through profit or loss represent 105,743 Class A shares of nominal value €0.10 each in Bank of Cyprus Holding Public Ltd.

The above mentioned shares are listed in Cyprus Stock Exchange and London Stock Exchange and on 31 December 2023 their market value was €3.36 per share (2022: €1.70 per share).

In the statement of cash flows, financial assets at fair value through profit or loss are presented in cash flow from operations as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in the fair values of financial assets at fair value through profit or loss are recorded in operating income.

22. Cash at bank and in hand

For the purposes of the cash flow statement, cash and cash equivalents include the following:

	2023	2022
	€	€
Cash in hand	**6.870**	197
Cash at bank	**2.800.995**	4.230.720
Bank deposits	**4.843.597**	3.316.034
Accumulated impairment losses on cash and cash equivalents	**(34.540)**	(43.726)
	7.616.922	7.503.225

For the purposes of the cash flow statement, cash and cash equivalents include the following:

	2023	2022
	€	€
Cash at bank and in hand	**2.773.325**	4.187.191
Bank overdrafts (Note 23)	**(3.436)**	(3.676)
	2.769.889	4.183.515

The Authority's exposure to credit risk and impairment losses in respect of cash and cash equivalents is disclosed in note 6 to the financial statements.

23. Borrowings

	2023	2022
	€	€
Current borrowings	**-**	-
Bank overdrafts (Note 22)	**3.436**	3.676

24. Lease liabilities

	2023	2022
	€	€
Balance at 1 January	**1.383.934**	445.663
Repayments	**(203.940)**	(199.485)
Interest	**58.125**	63.823
Adjustments		1.073.933
Balance at 31 December	**1.238.119**	1.383.934

	Minimum future lease payments 2023	**Interest 2023**	**Principal 2023**	Minimum future lease payments 2022	Interest 2022	Principal 2022
	€	**€**	**€**	€	€	€
Within one year	**205.470**	**52.002**	**153.468**	203.940	58.126	145.814
Between one and five years	**1.246.029**	**161.378**	**1.084.651**	1.451.499	213.379	1.238.120
	1.451.499	**213.380**	**1.238.119**	1.655.439	271.505	1.383.934

All lease obligations are denominated in EUR.

25. Provisions for other liabilities and charges

	Provisions for pensions
	€
Balance at 1 January 2022	2.386.826
Charge/(credit) to profit or loss	111.143
Payments of benefits	(25.416)
Contributions by members	18.935
Actuarial loss	(1.005.291)
Balance at 31 December 2022 / 1 January 2023	**1.486.197**
Charge/(credit) to profit or loss	130.508
Charge/(credit) to profit or loss - prior year revision	366.855
Payments of benefits	(20.661)
Contributions by members	31.309
Actuarial gain	278.036
Αναθεώρηση αναλογιστικής ζημιάς προηγούμενου έτους	(94.013)
Balance at 31 December 2023	**2.178.231**

The amounts included in the statement of financial position include the following:

	2023	2022
	€	€
Provisions to be used after more than twelve months	2.158.080	1.400.332
Provisions to be used within twelve months	20.151	85.865

26. Trade and other payables

	2023	2022
	€	€
Trade payables	**12.039**	19.609
Customer advances	**32.930**	14.477
Value Added Tax	**-**	1.006
Reimbursement of staff training grant	**79.162**	49.203
Expenses due	**9.107**	9.400
Other payables	**156.800**	85.144
Defence contribution on deemed distribution payable	**5.855**	4.871
Defence contribution on rents payable	**1.147**	1.147
	297.040	184.857

27. Deferred income

	2023	2022
	€	€
Customer advances	**2.235.294**	2.211.555
	2.235.294	2.211.555

28. Current tax liabilities

	2023	2022
	€	€
28. Current tax liabilities	**7.720**	3.777
	7.720	3.777

29. Operating environment of the Authority

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The Israel-Gaza conflict has escalated significantly since the major Hamas attack on 7 October. Companies with significant subsidiaries, operations, investments, contractual arrangements or joint ventures in the war zone may be significantly exposed. Entities that do not have direct exposure to Israel and the Gaza Strip are likely to be affected by the overall economic uncertainty and negative impact on the global economy and major financial markets resulting from the war. This is an unstable period and situation. However, the Authority is not directly exposed. Management will continue to monitor the situation closely and take appropriate action when and if necessary.

The impact on the Authority depends to a large extent on the nature and duration of uncertain and unpredictable events, such as further military action, additional restrictive measures and the reaction of global financial markets to ongoing developments.

The economic impact of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage due to the pace of the dispute and the high level of uncertainty arising from the inability reliably predict the outcome.

The Authority has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Management has considered the particular circumstances and risks to which the Authority is exposed and has concluded that there is no significant impact on the Authority's profitability. The incident is not expected to have a direct material impact on the Authority's business activities.

30. Related party transactions

Cyprus Energy Regulatory Authority is a public body entity that has been established in Cyprus according to Law N.122(I) of 2003, which has been replaced by Law 129 (I)/2021.

The following transactions were carried out with related parties

30.1 Top Management's remuneration

The remuneration of the Top Management was as follows:

	2023	2022
	€	€
Top Management's remuneration in their executive capacity	**326,504**	265,022

31. Contingent liabilities

As of 31 December 2023, there were pending lawsuits against the Authority in relation to its activities. Based on legal advice, the Top Management believes that adequate defences exist against any claim sought and do not expect the Authority to suffer any loss. Therefore, no provision has been made in these financial statements in respect of this matter.

Windpower Ltd v Cyprus Energy Regulatory Authority (Lawsuit number 1493/2019):

The case is scheduled for 4 December 2024 and the Plaintiff is claiming the amount of €22,015,373 as compensation under Article 146.6 of the Constitution and the amount of €1,300,651 as special compensation for expenses and losses incurred for the purposes of submitting applications, obtaining permits and preparing the operation of the wind farm for the production of electricity. The possible outcome of this case cannot be predicted with certainty at this stage, since the burden of proving the existence of damage and its connection with the annulled act lies with the applicant company and the issues raised depend to a large extent on the evidence that will be presented at the hearing. Based on the parties' briefs and the available testimony, it is considered that the Lawsuit against CERA has little chance of success.

Energean International Limited v Cyprus Energy Regulatory Authority (Lawsuit number 947/2020):

The lawsuit was filed on 7 October 2020, challenging CERA's decision to reject the application for a license to supply gas to wholesale customers. The possible outcome of this case is to be dismissed with costs in favour of CERA as based on the decision of the Council of Ministers No. 87.649 the license to supply natural gas under a monopoly regime may be granted to a legal entity under public law that has been established by law and is controlled by the Republic and the Applicant does not meet the conditions. The case is set for 7 November 2024 for the registration of the Applicant's Written Pleadings. The Administrative Court does not award any compensation whatsoever, but merely annuls or confirms the contested administrative act and awards the legal costs of the proceedings to the successful party, which amount to approximately €1,500 to €2,000. If the Appeal is successful, CERA will be required to pay the Applicants the costs of the legal proceedings as awarded by the court decision.

32. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2023	2022
	€	€
Within one year	**234.958**	269.167
Between one and five years	**178.332**	184.144
	413.290	453.311

33. Events after the reporting period

There were no significant events after the reporting period that are relevant to the understanding of the financial statements.

As mentioned in note 29, the geopolitical situation in Eastern Europe and the Middle East remains tense with the ongoing dispute between Russia and Ukraine and the Israel-Gaza conflict. At the date of approval of the financial statements, conflicts are ongoing as military operations continue and additional sanctions are imposed.

Independent auditor's report on pages 4 to 6

DETAILED PROFIT OR LOSS ACCOUNT
For the year ended 31 December 2023

	Σελίδα	2023 €	2022 €
Revenue			
Annual Fees		**2.265.320**	1.945.247
Rendering of services		**188.473**	175.691
Other operating income			
Sundry operating income		**52.062**	21.359
Fair value gains on financial assets at fair value through profit or loss		**175.533**	67.676
Impairment of cash and cash equivalents		**9.186**	15.931
Reversal of impairment of trade receivables		**-**	166
		2.690.574	2.226.070
Operating expenses			
Administration expenses	45	**(2.962.632)**	(2.408.026)
		(272.058)	(181.956)
Other operating costs			
Impairment charge on cash and cash equivalents		**-**	(43.726)
Operating deficit		**(272.058)**	(225.682)
Finance income	46	**73.224**	46.122
Finance income	46	**(67.024)**	(81.524)
Net surplus for the year before tax		**(265.858)**	(261.084)

OPERATING EXPENSES

For the year ended 31 December 2023

	2023	2022
	€	€
Administration expenses		
Top Management’s remuneration	**326.504**	265.022
Staff salaries	**1.151.594**	1.040.096
Social security costs	**208.390**	165.702
Medical funds - General Health System	**41.364**	38.454
Expenses related to defined benefits plan	**412.219**	111.143
Municipality taxes	**1.060**	1.060
Electricity	**27.968**	32.016
Sanitation and water supply	**27.940**	26.961
Insurance	**2.331**	2.523
Repairs and maintenance	**3.348**	4.635
Sundry expenses	**377**	352
Telephone and postage	**836**	1.069
Stationery and printing	**8.281**	6.345
Subscriptions and contributions	**21.603**	25.794
Newspapers and publications	**-**	23
Equipment maintenance	**1.540**	1.400
Staff training	**75.880**	82.343
Computer software	**25.703**	26.812
Certification and legalisation expenses	**-**	1.470
Auditors’ remuneration - current year	**3.084**	3.082
Auditors’ remuneration - prior years	**(2.000)**	(10.000)
Legal fees	**17.477**	17.495
Other professional fees	**325**	2.173
Overseas travelling	**79.270**	16.581
Inland travelling and accommodation	**245**	29
Irrecoverable VAT	**51.851**	66.387
Entertaining	**8.105**	11.124
Motor vehicle running costs	**1.250**	31.523
Transport	**420**	701
Consulting fees	**227.103**	194.058
Announcements and Publications	**4.142**	5.617
Sundry allowances and representations	**20.910**	20.910
Events costs	**600**	3.100
Parking rent	**1.500**	1.500
Amortisation of intangible assets	**2.355**	1.633
Depreciation of fixed assets	**209.057**	208.893
	2.962.632	2.408.026

FINANCE INCOME/COSTS
For the year ended 31 December 2023

	2023	2022
	€	€
Finance income		
Bank interest	**22.937**	1.122
Other interest received	**45.000**	45.000
Dividends received	**5.287**	-
	73.224	46.122
Finance costs		
Interest expense		
Interest expense on lease liabilities	**58.910**	51.363
Bank interest	**12**	5.377
Interest on taxes	**191**	123
Sundry finance expenses		
Banks charges	**7.663**	21.990
Other finance expenses	**248**	2.671
	67.024	81.524

DETERMINATION OF DEFENCE CONTRIBUTION
For the year ended 31 December 2023

	Revenue	Rate	Defence Contribution
	€		€ cent
INTEREST			
Interest not subject to deduction at source	45.000	3%	1,350.00
Interest subject to deduction at source	22.937	30%	6,881.10
	67.937		8.231,10
DEFENCE CONTRIBUTION DUE TO IRD			8.231,10

DETERMINATION OF CORPORATION TAX

For the year ended 31 December 2023

	Page	€	€
Net Loss per income statement	44		(265.858)
Add:			
Depreciation		211.412	
Interest on operating leases (as interpreted for the lessor)		58.910	
Interest on taxes		191	
Other non-allowable expenses		462.345	
			732.858
			467.000
Less:			
Discounts for annual wear and tear	47	209.057	
Fair value gains on financial assets at fair value through profit or loss		175.533	
Impairment of cash and cash equivalents		9.186	
Dividends income		5.287	
Interest income		67.937	
			(467.000)
Chargeable income for the year			-

DETERMINATION OF DEFENCE CONTRIBUTION

For the year ended 31 December 2023

	Revenue	Rate	Defence Contribution
	€		€ cent
INTEREST	45,000		
Interest not subject to deduction at source	22,937	3%	1,350.00
Interest subject to deduction at sourcea	67,937	30%	6,881.10
			8,231.10
DEFENCE CONTRIBUTION DUE TO IRD			8,231.10